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Organizational matters

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I. Organizational matters

1. The annual session 2017 of the Executive Board of UNDP, UNFPA and UNOPS was held at the United Nations Headquarters in New York from 30 May to 8 June 2017.

2. The Executive Board approved the agenda and workplan for its annual session 2017 (DP/2017/L.2), and approved the report of the first regular session 2017 (DP/2017/13).

3. Decisions adopted by the Executive Board at the annual session 2017 appeared in document DP/2017/29, which was available on the UNDP Executive Board website.

4. The Executive Board agreed in decision 2017/19 to the following schedule for future sessions of the Executive Board in 2017:

Second regular session 2017: 5 to 11 September 2017.

UNDP segment

II. Statement by the Administrator and the annual report of the Administrator

5. In his statement to the Executive Board, the UNDP Administrator, ad interim, highlighted the arrival of the new UNDP Administrator, Mr. Achim Steiner, on 19 June 2017, which coincided with broader changes within the United Nations: the Secretary-General's reform agenda, finalization of the new UNDP strategic plan, 2018-2021, and implementation of the 2016 quadrennial comprehensive policy review of operational activities for development of the United Nations system. He also presented the cumulative review of the UNDP Strategic Plan and annual report of the Administrator 2016 (DP/2017/15 and annexes), report of UNDP on the recommendations of the Joint Inspection Unit in 2016 (DP/2017/15/Add.1 and annexes), and statistical annex (DP/2017/15/Add.2).

6. The Administrator, ad interim, stressed UNDP commitment to advancing the Secretary-General's priorities, under Member States' direction, in reforming the United Nations development system. The 2016 quadrennial review provided a blueprint for change, hinged on: (a) making United Nations country teams more agile, lean and efficient; (b) comprehensively applying the delivering-as-one approach and standard operating procedures, together with a new generation of United Nations development assistance frameworks (UNDAFs); (c) ensuring an empowered, impartial resident coordinator with authority to make cooperation work for programme countries; (d) establishing clear, common understanding of United Nations system needs and offers; and (e) increasing trust in the United Nations development system.

7. The cumulative review of the UNDP Strategic Plan, 2014-2017, and annual report of the Administrator 2016 indicated that UNDP development performance over three years had been solid, and the organization on track to achieve 2017 targets. The review pointed to progress on institutional performance, demonstrated by a rigorous programme appraisal system, commitment to transparency and accountability, and increased management efficiency. On United Nations coordination, the partnership survey showed increased partners' satisfaction with UNDP leadership of the resident coordinator system.

8. The cumulative review of the integrated budget, 2014-2017, (DP/2017/16) showed that UNDP continued to make significant progress towards objectives, achieved despite reduced regular (core) resources. The UNDP financial resource plan for 2014-2017 remained within the financial framework approved by the Board in decision 2013/28. The Administrator, ad interim, highlighted that reversing the fall in core resources was a top priority. UNDP would continue to

diversify its core funding base; in 2016, it had reached a funding agreement with its first ever private sector contributor to core resources.

9. He emphasized that the strategic plan, 2018-2021, would guide UNDP through a crucial time in gaining traction for the 2030 Agenda for Sustainable Development. Still a work in progress, the plan was more focused and integrated, and flexible enough to account for review process outcomes.

10. UNDP was supporting global efforts to advance the 2030 Agenda, helping countries translate it into national strategies addressing the Goals' integrated, indivisible nature. That included support to preparing and implementing national roadmaps for the Goals through the United Nations Development Group (UNDG) Mainstreaming, Acceleration and Policy Support (MAPS) missions, and supporting follow-up and review processes. UNDP was supporting implementation of the Paris Agreement under the United Nations Framework Convention on Climate Change, helping countries prepare and implement nationally determined contributions. On support in crisis, he highlighted UNDP work to tackle root causes and build resilience, as reflected in the New Way of Working agreed at the 2016 World Humanitarian Summit.

11. Board members commended UNDP for its performance against the Strategic Plan, 2014-2017, and success in working within the budgetary framework. They encouraged it to build on cumulative review lessons when finalizing the strategic plan, 2018-2021, while highlighting the centrality of the 2030 Agenda and the Goals – including poverty eradication and reduction of inequalities – as well as the direction set by the 2016 quadrennial review.

12. A group of delegations stressed that UNDP should address specific needs of least developed countries (LDCs), small-island developing states (SIDS) and middle-income countries (MICs). Several delegations called on UNDP to prioritize South-South and triangular cooperation and strengthen the United Nations Office for South-South Cooperation (UNOSSC) financially and in staff capacity. Other delegations underscored the importance of pursuing: gender equality and youth-focused approaches to development; human rights from a UNDP development and context-sensitive angle; and private sector partnerships, for resource mobilization and innovative approaches to development.

13. Board members expressed a range of views on the UNDP role in recovery from crises. They underlined the potential of strengthened UNDP contribution, based on its development mandate, taking a development perspective that complemented humanitarian action. Some pointed to the need to address fragility and vulnerability to prevent crises. Others saw a strong role for UNDP in bridging the humanitarian-development-peace nexus in line with the New Way of Working and sustaining peace and prevention agendas. Many encouraged UNDP to continue to engage in climate-related policies, agreements and interventions, including the Paris Agreement, Sendai Framework for Disaster Risk Reduction, 2015-2030, and SIDS Accelerated Modality of Action (SAMOA) Pathway. Many highlighted results-based management, knowledge management, and transparency and accountability.

14. Pointing to achievements of the Strategic Plan, 2014-2017, delegations encouraged UNDP to strengthen its coordination role of the United Nations development system and ensure an empowered, impartial resident coordinator. UNDP should expand and refine the delivering-as-one approach and standard operating procedures, and ensure the United Nations development system became more efficient, effective, transparent, and accountable, including improved results-based management and more coherent target setting in accordance with the 2016 quadrennial review, in close cooperation with United Nations partners.

15. In response, the UNDP Administrator, ad interim, assured Board members the new strategic plan, 2018-2021, was focused and in line with the 2030 Agenda and 2016 quadrennial review, with poverty eradication and reducing inequalities at its heart. UNDP was committed to implementing the quadrennial review along three tracks: within UNDP, within the United Nations development system and across the system. An effective, impartial and fully resourced

resident coordinator system was key to success. UNDP remained open to dialogue with Board members on strengthening the resident coordinator system. Other key UNDP areas of work included supporting LDCs and SIDS and continued commitment to MICs. On finances, UNDP was committed to innovative approaches to raising core resources, while pursuing greater efficiency and value for money. He underscored UNDP commitment to South-South and triangular cooperation and UNOSSC. On climate, UNDP supported countries in implementing the Paris Agreement, especially through nationally determined contributions. On crises, UNDP was helping partners realize the New Way of Working. Because its value hinged on the skills, talent and experience of its global workforce, UNDP needed to attract and retain qualified staff.

16. The Executive Board adopted decision 2017/10 on the cumulative review of the UNDP Strategic Plan, 2014-2017, and the annual report of the Administrator.

III. Financial, budgetary and administrative matters

17. The Director, Bureau for Management Services, UNDP, presented the cumulative review of the UNDP integrated budget, 2014-2017 (DP/2017/16 and annexes).

18. Board members welcomed the report but reiterated concern over the core/non-core resources imbalance. They encouraged UNDP to pursue efficiency and maximize cost recovery. They urged it to explore innovative partnerships and funding approaches, especially with the private sector. Some delegations expressed satisfaction to learn UNDP had struck a funding agreement with its first private sector contributor to core resources. Another group, concerned that continued funding constraints could negatively impact hard-won gains, requested that UNDP allocate funding in a way that prioritized populations most in need.

19. A group of delegations, recognizing that cost savings of structural changes would not continue indefinitely, had expected reforms to strengthen capacities at regional level. They expressed concern that current financial constraints could hamper full implementation of organizational changes at country and regional levels. They were concerned that delays in cost recovery and non-implementation of direct charging of advisory and programme support services could slow ambitions to integrate programming and advance design and implementation of innovative financing arrangements.

20. On cost recovery, the same group had hoped that the funds and programmes would have allowed the Executive Boards to reach agreement on adjustments to methodology and rates, in accordance with decision 2013/19. They stressed that Member States would more readily contribute to core resources if the organizations showed greater transparency on cost recovery. They recommended that UNDP and United Nations organizations devise a revised roadmap for consultations on cost recovery with better analysis and proposals for methodology and rates, on which the Board could take a decision by its annual session 2018.

21. Referring to their 2016 request, the group stated that the new budget approach still lacked information on the programmatic component. They encouraged UNDP to step up efforts to link budgets to results, and expected the new integrated budget to reflect results-based budgeting better. Pointing to budget and reporting information gaps, they called on UNDP to ensure the new budget clearly showed how it would use core resources.

22. In response, the Director, Bureau for Management Services, UNDP, emphasized that UNDP ability to maintain proper functioning over three years, when core fell by $300 million, was because it had been applying cost recovery on non-core items, testimony to its commitment to full cost recovery. The lag in implementing cost recovery on some items was a result of the cost recovery policy phasing-in process; UNDP could only apply the policy to multi-year funded projects on a delayed timeline. She assured Board members that UNDP success in meeting some budget gaps was because it had increased cost recovery on non-core programme elements, while increasingly funding its institutional budget from non-core elements. A draft

integrated budget on core resources elements would accompany the new strategic plan, 2018-2021.

23. The Board adopted decision 2017/11 on the cumulative review of the UNDP integrated budget, 2014-2017.

IV. UNDP strategic plan, 2018-2021

24. The UNDP Administrator, ad interim, presented the draft UNDP strategic plan, 2018-2021, (DP/2017/CRP.2). In a subsequent discussion, the Director, Bureau for Programme and Policy Support, UNDP, explained how the results framework supported monitoring and achievement of the draft plan.

25. Board members were pleased with the consultative process during drafting of the strategic plan, 2018-2021, and approach in developing the narrative and integrated results and resources framework, which they considered a bold, best practice. They highlighted the need to build on lessons from the Strategic Plan, 2014-2017, and reflect improvements in the draft plan before the second regular session 2017. They looked forward to input from the new UNDP Administrator, Mr. Achim Steiner, especially on priority setting.

26. A group of delegations stressed that the draft plan should build on universal United Nations documentation and principles of sustainable development, and not seek to expand the organization's mandate beyond its comparative advantages. UNDP, it was noted, should focus foremost on LDCs and SIDS and especially the most vulnerable. Other delegations stressed that UNDP had to maintain a broad but focused mandate so it could address many development issues. They called on UNDP to ensure the new plan addressed the needs and potential of MICs as drivers of sustainable development through a differentiated approach.

27. A broad section of delegations called on UNDP to prioritize poverty eradication and reduction of inequalities, based on root causes. UNDP should revisit the plan's activities through the lens of its comparative advantages, and determine priorities-against-resources to design a business plan. It should pursue more focused outcomes to promote better system-wide coordination, including better lines of responsibility and accountability, prioritizing activities and determining where other agencies had better capacity. They sought clarity on the UNDP role in the Secretary-General's peace and prevention agenda and in bridging the development-humanitarian-peace nexus. The plan should clearly define the focus of the 2+2 approach and UNDP role in conflict prevention and climate change within the 2+2 context, in line with the 2016 quadrennial review.

28. A group of delegations wished to see the draft plan address institutional effectiveness, efficiency and value for money, and explore different business models, given indications that UNDP capacity was under pressure, drawing on findings from the 2016 joint institutional effectiveness assessment. They called on UNDP to specify financial flows, cost recovery, budget lines and United Nations organizations' division of labour in the integrated budget. They encouraged UNDP to improve efficiency, transparency and accountability, in accordance with the 2016 quadrennial review, especially in light of ongoing financial constraints. UNDP should pursue innovative approaches to resource mobilization, expand the donor base, and work closely with the United Nations Capital Development Fund on finance schemes. The group underscored the importance of mainstreaming gender throughout the plan, and detailing resources spent on gender equality and annual reporting on gender.

29. Many delegations stressed UNDP leadership in United Nations system coordination. The plan should reflect global challenges and demands on UNDP and the United Nations system, as laid out in Agenda 2030 and the Goals, including 'leaving no one behind', and push to expand delivering-as-one and standard operating procedures. They wanted the common chapter to reflect how the United Nations system would collaborate in strengthening collaborative as

opposed to competitive advantages. They called on UNDP to facilitate a United Nations system division of labour, using a 'whole-of-system approach'. They sought clarity on resident coordinator and UNDP resident representative roles, with clearer country team reporting roles. UNDP should build an enabling environment through its country office network and United Nations system. They called for a strengthened resident coordinator system and resident coordinator authority.

30. In a common statement, addressed to UNDP, UNFPA, UNICEF and UN-Women, a group of delegations welcomed the common chapter, and requested more information on innovative ways in which the organizations were working together – to be detailed in the common chapter and in strategic plans, budgets and results frameworks with common results, indicators and implementation modalities. They looked forward to revised plans and frameworks that reflected greater coherence, efficiency and effectiveness in agencies' operational work.

31. The Board took note of the five common areas of work the organizations identified as critically important for collaborative engagement – (a) poverty eradication, (b) prevention, peacebuilding and sustaining peace, (c) climate change, (d) gender equality and empowerment of women and girls, and (e) and sustainable data – and requested complementarities to be strengthened at global, regional and country level, in line with new UNDAF guidance.

32. On the integrated results and resources framework, a group of delegations asked UNDP to specify its role in addressing 2016 quadrennial review indicators, and avoid oversimplifications at the expense of reporting on certain results. They sought elaboration of the framework's three focus areas on institutional effectiveness and how its bottom-up approach worked. There was a call to include a stand-alone gender outcome and projects, backed by resources, while mainstreaming gender throughout. They requested that the results framework specify agency contributions through specific indicators, in addition to common indicators and five areas of common work. They asked UNDP to clarify how the results framework would measure its contribution to eradicating poverty and reducing inequalities.

33. There was a call for UNDP to be cautious in using risk-informed approaches in the national context, especially with regard to political issues, pursuing fragility-sensitive approaches (unless specifically requested by the national government) since the definition of 'fragility' was not universally accepted by Member States, and engaging in 'preventing violent extremism', an area in which UNDP should only work via its development mandate.

34. In response to comments on the strategic plan, 2018-2021, the Administrator, ad interim, assured Board members that UNDP would review delegations' points, along with input from the new Administrator, as it revisited the draft plan.

35. The Director, Bureau for Programme and Policy Support, UNDP, reiterated UNDP commitment to implementing the quadrennial review and leading United Nations system coordination. UNDP had agreed to engage with United Nations organizations on five common areas and identify its contribution. UNDP was also engaged in system-wide coordination through the New Way of Working and humanitarian-development-peace nexus. UNDP would remain focused on sustainable development and root causes. UNDP was guided by the Secretary-General's reform agenda, and keen to spearhead the development-for-prevention principle. It was working on getting to scale, using country results to measure performance, and diversifying partnerships. UNDP was a champion, together with United Nations organizations, of women's empowerment and gender equality, which the new plan mainstreamed. UNDP welcomed Board guidance on achieving greater organizational effectiveness.

36. The Director, Bureau for External Relations and Advocacy, UNDP, explained that the partnership survey entailed a consultative process with an array of stakeholders and for which UNDP outsourced the services of an outside contractor. UNDP would share the survey results

with the Board and partners on its website[1] as soon as they were ready so they could inform the strategic plan, 2018-2021, and improve institutional effectiveness.

37. The Executive Board took note of draft UNDP strategic plan, 2018-2021 (DP/2017/CRP.2).

38. The Executive Board adopted decision 2017/9 to convene a special session in November 2017 to consider and adopt the UNDP strategic plan and integrated budget, 2018-2021.

V. Gender equality at UNDP

39. The Director, Bureau for Programme and Policy Support, UNDP, presented the annual report on the implementation of the UNDP gender equality strategy in 2016 (DP/2017/18).

40. Board members commended UNDP achievements and were pleased it was expanding its work on gender, including in crisis and recovery. They were encouraged by the organization's intensified work on gender in the security sector. They praised UNDP for being the highest performer among United Nations organizations in using the United Nations system-wide action plan (UN-SWAP) on gender equality and empowerment of women, and looked forward to the roll-out of the next generation of UN-SWAP and scorecard.

41. The same group encouraged UNDP to target girls and women, especially those in vulnerable situations, such as migrants and women and girls living in conflict, and address the role, responsibility and engagement of men and boys in gender equality. They wished to see UNDP continue to deliver projects that had gender equality as the main objective, currently at 4 per cent compared to the target of 15 per cent.

42. There was a call for UNDP to dedicate a full outcome to gender equality in the new strategic plan, 2018-2021, while ensuring all outcomes were gender-responsive and used gender-sensitive indicators and disaggregated data. They were pleased to see innovative UNDP work to increase capacity for the gender equality seal, and called for more rigorous gender-based analysis. UNDP should improve financing for gender equality and place gender advisors in country offices with budgets above $25 million. They urged UNDP to achieve gender parity at senior staff levels (P5 and above).

43. The group requested that UNDP inform the Board how gender equality mainstreaming would contribute to outcomes in the new plan, and how the results framework would improve tracking, monitoring, accountability and financing for gender equality in line with the next generation of UN-SWAP and scorecard. They urged UNDP to ground the new plan in a strong rights-based, gender-equality approach to ensure full realization of women's rights and address discrimination against women and girls. They requested that UNDP update the gender equality strategy to operationalize gender mainstreaming, with clear targets, indicators and resource allocations, in support of Goal 5. They encouraged it to align its gender equality and women's empowerment work with United Nations organizations, especially UN-Women, step up inter-agency coordination at country level and present to the Board analysis on how interagency collaboration at global, regional and national levels supported strategic plan implementation on gender.

44. In response, the Director, Bureau for Programme and Policy Support, UNDP, welcomed delegations' support for UNDP gender work in the security sector, which was groundbreaking and well received by national authorities. UNDP rating as the top UN-SWAP performer, due mainly to country offices' work, was a badge of honour. He highlighted that contributions to core resources fully supported the organization's gender work. He underscored the organization's joint engagement with UNFPA, UNICEF and UN-Women on five areas of inter-

[1] http://www.undp.org/content/undp/en/home/ourwork/funding/partners/

agency collaboration, including gender equality, the most developed of the five areas. UNDP looked forward to the next gender equality strategy, building on lessons and achievements.

45. The Executive Board took note the annual report on the implementation of the UNDP gender equality strategy in 2016 (DP/2017/18).

VI. Human Development Report

46. The Director, Human Development Support Office, presented the oral report on consultations regarding the Human Development Report 2017 in accordance with General Assembly resolution 57/264.

47. The President of the Board sought clarification on the plausibility of aligning the indicators of the *Human Development Report* and the Sustainable Development Goals, and on the universality of the sustainable development agenda as a point of departure for the report.

48. One delegation, recognizing the report's historic value in collecting data from reliable sources and serving as a catalyst for analysis, stated that the human development index had lost relevance in light of the 2030 Agenda and the Goals, which had established common indicators and comparable parameters based on solid data. The human development index no longer reflected current reality, and new measurements and mechanisms, such as the multi-dimensional poverty index, had led to public policies that brought about a more precise assessment of country needs. The measures, currently anachronistic, needed revision, and reform of the United Nations system demanded a better development data methodology. UNDP had to analyse how it would transform its data to drive innovations needed for the 2030 Agenda, focusing on data useful to Member States grounded in transparency and accountability.

49. Another delegation sought clarification on how the *Human Development Report* and comparable reports, such as the World Bank *World Development Report*, would build knowledge, complement each other and set the stage for the Goals. He sought details on how the report would evolve and maintain its comparative advantage, and on the report's impact in terms of numbers of readers, policies generated, frequency and financial requirements.

50. In response, the Director, Human Development Support Office, highlighted the report's *comparative advantages*, grounded in its universality. The report: (a) viewed each topic through a human development, people-centred lens; (b) provided both analysis and policy options; (c) produced 900 national, regional and subregional reports, in addition to the global report, which had galvanized momentum for human development; and (d) advocated for issues critical to civil society, while extending development thinking. A 2015 *impact evaluation* showed that the report's usage surpassed that of comparable reports, while, at policy level, it had demonstrated impact in linking social protection policies to poverty reduction. While the office *budget* to undertake report activities was $5.1 million in 2017, it had continued to drop yearly. An adequate office budget was in the range of $5.7 million; he highlighted innovative approaches to raise funds. He concurred with the need to *revisit human development measures, including indices*, in light of changing development challenges. As a secondary user of *data*, the office collaborated closely with national statistical partners to ensure data integrity. He concurred with the need to align the report's indicators with those of the Sustainable Development Goals, a difficult but achievable task.

51. The Executive Board took note of the oral report on consultations regarding the Human Development Report 2017.

VII. UNDP country programmes and related matters

52. The Director, Regional Bureau for Africa, UNDP, introduced the item and presented the country programme document for Cameroon, the first one-year extensions of the country

programmes for Lesotho and Liberia from 1 January to 31 December 2018, the second one-year extension of the country programme for Burundi from 1 January to 31 December 2018. In turn, the Deputy Director, Regional Bureau for Africa, presented more detailed information on the country programme document for Cameroon.

53. Following discussions, the Executive Board reviewed and approved, in accordance with its decision 2014/7, the country programme document for Cameroon (DP/DCP/CMR/3).

54. The Executive Board took note of the first one-year extensions of the country programmes for Lesotho and Liberia from 1 January to 31 December 2018, as contained in document DP/2017/19.

55. The Executive Board approved the second one-year extension of the country programme for Burundi from 1 January to 31 December 2018, as contained in document DP/2017/19.

VIII. Evaluation

56. The Director, Independent Evaluation Office, UNDP, presented the annual report on evaluation, 2016 (DP/2017/20), and the Director, Bureau for Programme and Policy Support, UNDP, provided management commentaries.

Annual report on evaluation

57. A group of delegations welcomed UNDP implementation of its new evaluation policy. They were pleased that as of 2017 the Independent Evaluation Office (IEO) had planned 100 per cent country programme evaluation coverage for country offices submitting new programmes for Board endorsement, which would help the Board to fulfil its oversight role. The group welcomed the 2016 high rate of management responses, but called on UNDP to address the 12 per cent overdue follow-up actions reported in 2013-2016. They called on management to hold country office managers accountable for implementing evaluation recommendations and showing improvements in programme performance. They called on IEO to link the costed annual work programme and annual reporting, and strive to make the UNDP evaluation policy the template for the United Nations system.

58. The group expressed concern with the steep decline in the number of decentralized evaluations at country level. They sought clarity on how and when an evaluation should take place and data on compliance levels. They encouraged management to work with IEO to strengthen the quality and process of decentralized evaluations through the decentralized evaluation strategy and action plan, and to collaborate with United Nations organizations on quality assurance of decentralized evaluations, in accordance with UNDAF guidelines.

59. Delegations underscored the importance of an adequately funded evaluation function, a particular concern in light of reported deficits in evaluation quality and coverage and financial constraints. They requested that the integrated budget, 2018-2021, allocate resources to evaluation, as agreed in the evaluation policy. One delegation stated that those resources, even for evaluation, should focus foremost on those most in need.

60. In response, the Director, Bureau for Programme and Policy Support, UNDP, underscored UNDP readiness to implement the new evaluation policy. Following a previous assessment, UNDP had opted to undertake larger, more impactful evaluations, which accounted for fewer reported but better evaluations. The quality of decentralized evaluations was improving as shown by the IEO-led assessment and the utility rating through the results oriented annual report, both within a 75 to 78 per cent range, although UNDP was striving for a quality score within the 90 per cent range. He assured Board members that UNDP was shifting from a compliance to a learning culture.

61. The Director, Independent Evaluation Office, UNDP, highlighted that UNDP had begun implementing the new policy in 2017, given its endorsement at the second regular session 2016. One key catch-up provision was budget, which IEO had addressed; the other, quality of decentralized evaluations. IEO was working to train monitoring and evaluation specialists in all regions to strengthen capacity while revising guidelines. IEO and UNDP would produce a joint report on capacity building and support, and, in 2018, would review quality/quantitative performance of management responses. IEO would implement independent country programme evaluations in 2018, growing progressively each year to ensure 100 per cent coverage by 2019. The Audit and Evaluation Advisory Committee, to which the ethics, audit and evaluation offices reported, was a first in the United Nations system, introducing a higher level of rigour. The UNDP evaluation function was a model for the United Nations system as it entrenched United Nations Evaluation Group (UNEG) norms and standards for transparency and learning. Future annual reports would be linked to the costed programme of work.

Joint assessment of institutional effectiveness

62. The Director, Independent Evaluation Office, UNDP, presented the joint assessment of institutional effectiveness (DP/2017/21), which the Director, Office of Audit and Investigations, UNDP, followed with detailed results of the assessment. The Director, Bureau for Programme and Policy Support, UNDP, provided the management response (DP/2017/22).

63. Board members welcomed the assessment's results and viewed the organization's heightened focus on evaluation, audit and investigation as a positive trend. They were pleased with the increased number of UNDAF evaluations in 2016. A group of delegations requested details on their quality. They expressed concern with risks to programming implicit in UNDAF design and content weaknesses. They stressed the need for a strong UNDAF evaluation mechanism to generate evidence of system-wide coherence at country level. It was crucial for UNDP to show measureable results to ensure programme sustainability and long-term funding, and to support United Nations organizations and the 2030 Agenda. The group requested information on UNDG and UNDP actions for improved coverage, quality and resourcing of UNDAF evaluations, in accordance with the 2016 independent system-wide evaluation. The group and other delegations agreed with the assessment's recommendation that UNDP focus more on learning and knowledge management, and asked that institutional effectiveness indicators be included in the new strategic plan, 2018-2021.

64. One delegation requested details on country offices' comparative advantages, while another stressed the importance of aligning the UNDAF to nationally identified priorities. Another delegation stressed that results-based management was foremost about obtaining more and better results in partner countries. Another delegation commended UNDP for recent reforms that strengthened its regional capacities to support country offices, and welcomed improvements in UNDAF quality and focus on United Nations system value-added and role of UNDP. Another delegation praised UNDP transparency and welcomed the assessment, especially the joint approach of IEO and the Office of Audit and Investigations.

65. In response, the Director, Bureau for Programme and Policy Support, UNDP, concurred that the goal of results-based management was country-level impact and that information gleaned from evaluations had to serve country priorities. UNDP remained committed to regional decentralization, despite its difficult implementation process. Determining agencies' value-added at country level was not always clear; 'stepping aside' to allow another agency to fulfil its mandate should be the guiding principle. Likewise, UNDP was deeply committed to transparency, as evidenced in its renewed audit and evaluation functions.

66. The Director, Office of Audit and Investigations, UNDP, welcomed management's commitment to following up on assessment findings. The culture change would take time and constant leadership attention, but he was confident senior management would deliver.

67. The Director, Independent Evaluation Office, UNDP, highlighted that the joint assessment formed an integral part of the much larger evaluation infrastructure linked to the strategic plan evaluation. He looked forward to UNDP follow up and arrival of the new UNDP Administrator who would use the evaluation material to identify priorities going forward.

68. The Executive Board adopted decision 2017/12 on UNDP evaluation.

IX. United Nations Capital Development Fund

69. The Executive Secretary, United Nations Capital Development Fund (UNCDF), presented the integrated annual report on results for 2016 and cumulative report on the strategic framework, 2014-2017 (DP/2017/25 and annexes).

70. Delegations welcomed UNCDF 2016 achievements against its strategic framework, 2014-2017. The Fund provided the catalytic tools, technical expertise and innovative thinking needed for the 2030 Agenda. Delegations commended UNCDF for local development finance and financial inclusion in LDCs, and a market-focused business model. They drew attention to the Fund's contribution to gender equality and women's empowerment.

71. Least developed countries remained keen to benefit from the Fund's work to unlock public and private finance for poverty eradication and reducing inequalities. UNCDF played a key role in supporting governments in LDCs to implement the Sustainable Development Goals and the 2030 Agenda. They noted its work in helping local governments mobilize and invest resources, and micro, small and medium enterprises and individuals to access finances for local initiatives. They pointed to the Fund's work in helping governments implement infrastructure projects, unlocking financial and human national resources and building national and local capacities.

72. Other delegations praised the Fund's results in 'last mile' finance in LDCs. UNCDF offered good value for money, at a time of constrained aid resources, and financing that unlocked private and market resources. They encouraged UNCDF to continue to invest in places where other financial actors were absent, de-risking investment for the benefit of local communities. They were pleased with the Fund's work to expand access to financial tools to include loans, guarantees and blended finance. UNCDF was a model for a more efficient, impactful United Nations system.

73. Concerned with the core resources downturn, Board members called on delegations to step up contributions to ensure the Fund's delivery. LDCs pointed to the Addis Ababa Action Agenda for guidance on commitments, innovative ways to mobilize resources and forging stronger partnerships. While recognizing the value of a broad donor base and financing schemes, delegations underscored the importance of resource efficiency. They appreciated the Fund's approach to financing the Goals through community involvement in project design and private sector partnerships.

74. Delegations, pleased with the consultative process, looked forward to further developing the strategic framework, 2018-2021. They welcomed results-to-resources work and detailed modelling to forecast the scope of UNCDF footprint. They welcomed the new diagnostic tool to identify and treat structural barriers to women's participation in local economies, and collaboration with UNDP and UN-Women in fostering enabling environments for women's access to financial services. They encouraged UNCDF to track long-term impacts of its work on women, and deepen its data collection and analysis. They expected the new framework to better position UNCDF to support LDC graduation and make finance work for the poor.

75. In response, the Executive Secretary welcomed delegations' strong support and looked forward to engaging closely with them on the new strategic framework, 2018-2021, including discussing its diverse funding scenarios, in the lead-up to its scheduled adoption at the first regular session 2018.

76. The Executive Board adopted decision 2017/13 on the UNCDF integrated annual report on results for 2016 and cumulative report on the strategic framework, 2014-2017.

UNFPA segment

Tribute to Dr. Babatunde Osotimehin

77. The Executive Board cancelled the first day of the UNFPA segment out of respect for UNFPA Executive Director Dr. Babatunde Osotimehin who had unexpectedly passed away the day before. The UNFPA segment opened with a tribute to the late Executive Director, and the Board observed a moment of silence in his memory. The President of the General Assembly and the Secretary-General's Chef de Cabinet, together with a number of Member States delegations, on behalf of their respective regional groups, and senior representatives of the United Nations funds and programmes, offered expressions of condolence and personal reflections on Dr. Osotimehin's life and work. The Deputy Executive Director (Programme), having been appointed Acting Executive Director, delivered a tribute on behalf of UNFPA (all tributes are available on the United Nations PaperSmart portal).[2]

X. Statement by the Executive Director and annual report of the Executive Director

78. In her statement to the Board, the Acting UNFPA Executive Director focused on the Fund's achievements, challenges and lessons from the Strategic Plan, 2014-2017, in supporting countries in achieving the Sustainable Development Goals and the programme of action of the International Conference on Population and Development (ICPD). She drew attention to the Fund's ongoing funding crisis, especially regarding regular (core) resources, while highlighting its life-saving work in gender equality, women's empowerment, family planning and sexual and reproductive health and reproductive rights. She underscored the Fund's work in data collection and analysis. She also presented the progress report on implementation of the UNFPA Strategic Plan, 2014-2017 (DP/FPA/2017/4 (Part I) and annexes), the statistical and financial review, 2016 (DP/FPA/2017/4 (Part I.Add.1) and annex) and the report on the recommendations of the Joint Inspection Unit in 2016 (DP/FPA/2017/4 (Part II)).

79. The Acting Executive Director highlighted the Fund's application of a diversified business model to respond to the diverse needs of developing countries and to ensure "no one is left behind". UNFPA would use the strategic plan, 2018-2021, to think innovatively on how to identify and scale up solutions in an environment of resource constraints and rapid changes, and to continue building alliances and partnerships across regions.

80. She highlighted the Fund's work in humanitarian settings, bridging the humanitarian-development-peace nexus, helping countries align their development plans to benefit from the demographic dividend, and collaborating with partners in Africa to develop the 2017 gender scorecard for Africa. She noted the Fund's readiness for greater engagement on women's empowerment, especially through the South-South Cooperation Centre of Excellence on Population and Development in China.

81. She underscored ongoing funding constraints. UNFPA hoped to see Member States pledge financial commitments at the Summit on Family Planning in London in 2017. She appealed to Board members to step up contributions, especially to core resources, and highlighted that UNFPA was exploring innovative ways to mobilize resources and expand partnerships, notably by showing results achieved on the new web-based donor and transparency portals and by

[2] See Statements for Tuesday, 6 June 2017 (http://papersmart.unmeetings.org/executive-boards/undp-unfpa-unops/annual-session-2017/statements/).

developing a new branding strategy. The Fund had reinforced those efforts to complement austerity measures through a comprehensive resource review and focus on greater efficiency and effectiveness. UNFPA expected to complete all adjustments by end 2017.

82. She highlighted three transformative results of the strategic plan, 2018-2021, to end: (a) preventable maternal deaths; (b) unmet demand for family planning; and (c) gender-based violence and harmful practices against women and girls. Those results aligned with the Goals' targets and the Fund's goals to "deliver a world where every pregnancy is wanted, every child birth is safe, and every young person's potential is fulfilled". The Fund was committed to delivering-as-one and system-wide coordination and coherence, including through joint indicators and results frameworks.

83. Board members reflected on the legacy of the late Executive Director, and attributed the Fund's many successes under the current Strategic Plan, 2014-2017, to his leadership and guidance. Delegations expressed strong support for the UNFPA mandate, in line with the ICPD programme for action and the 2030 Agenda, and progress made against the UNFPA Strategic Plan, 2014-2017. Many commended UNFPA for placing human rights at the centre of its work. They praised the Fund's leadership in applying the 2030 Agenda principle of "leaving no one behind" and prioritizing the most vulnerable. They commended UNFPA for having brought about substantial economic benefits, thanks to its sexual and reproductive health and reproductive rights services, and for helping to prevent female genital mutilation (FGM) and unintended pregnancies.

84. Board members recognized progress made against the Strategic Plan, 2014-2017, targets and ICPD programme of action, and praised the heightened focus on context-specific results and stronger modes of engagement, especially important given diverse country contexts. Delegations, however, sought further analysis on challenges and lessons relative to each outcome area, particularly on UNFPA efforts to: improve access to safe abortion and post-abortion care; protect lesbian, gay, bisexual, transgender community rights; and specify the added value of the Maternal Health Thematic Fund.

85. Board members welcomed the Fund's pursuit of data-driven, evidence-based decision-making, which gave a broad perspective on achievements and lessons. They welcomed UNFPA engagement with small-island developing states and in the Pacific region, especially 2017 consultations that had led to the subregional programme design. They looked forward to in-depth discussions on budgets and country allocations for such programmes.

86. In response, the Acting Executive Director noted, on funding, that UNFPA sought to build a stronger, more diverse coalition of donors to ensure stable income and avoid negative impacts.

87. She appealed for increased contributions to core resources, highlighting that UNFPA would use key platforms, such as the Board and international forums, to mobilize resources. The new strategic partnerships strategy, aligned with the strategic plan, 2018-2021, included an internet fundraising strategy in selected countries in 2018, a pilot project establishing UNFPA national committees, and new innovative financing tools, while strengthening regional and country partnerships. UNFPA was committed to strengthening its humanitarian work, focused on the humanitarian-development-peace nexus, and fostering South-South and triangular cooperation.

88. The Acting Executive Director reiterated that UNFPA did not support coercive programmes anywhere. The Fund was committed to United Nations reform, especially at country level and for those most in need. UNFPA welcomed delegations' comments on the draft strategic plan and its emphasis on innovation, which the new plan would reflect in indicators and outcomes, and would be embedded in country programmes. The change management strategy would support actions by strengthening country-level leadership. Committed to the needs of SIDS and multi-country programmes, the Fund would undertake joint fundraising with

United Nations organizations. UNFPA would strive to simplify performance reporting and reflect intergenerational issues more clearly in its new plan.

89. The Director, Programme Division, UNFPA highlighted that the new strategic plan addressed 'cultural barriers' in outcome and output theories of change. On implementation partners, national implementation was the Fund's preferred modality. UNFPA supporting national institutions. The harmonized approach to cash transfers and similar modalities worked to gauge and build national capacity where needed. The Fund was designing capacity development approaches in UNFPA specialty areas for implementing partners.

90. The Executive Board adopted decision 2017/14 on the annual report of the UNFPA Executive Director: progress made in implementing the UNFPA Strategic Plan, 2014-2017.

XI. Evaluation

91. The Director ad interim, Evaluation Office, UNFPA, presented the annual report of the Evaluation Office (DP/FPA/2017/5 and annexes), highlighting the achievements, challenges and lessons learned from the 26 country programme evaluations the Fund had undertaken in 2014-2015. The Acting Executive Director delivered the management response (DP/FPA/2017/CRP.3), stressing management's strong support for the Evaluation Office and the evaluation function.

92. On corporate and programme-level evaluations, a group of delegations commended UNFPA for improving the quality of evaluations, marking real progress in the Evaluation Office. They expressed concern, however, about the high cancellation rate of evaluations planned and the decline in decentralized evaluations at country-office level. Requesting further explanation as to why delivery had fallen short of planning, they welcomed efforts to increase coordinated interaction between the Evaluation Office, regional offices and the programme division. They urged the Evaluation Office to prioritize improvement of its implementation rate, focusing on programme-level evaluations.

93. On evaluations' role in policy and learning, the group commended management's improved implementation of evaluation recommendations, noting it was key to ensuring evaluation findings led to learning and better results. They welcomed the new management response tracking system, and urged UNFPA to continue shifting its focus from 'proving' results to 'improving' results.

94. On resource allocation, delegations stressed the need to allocate and efficiently use resources for evaluation. They welcomed management's decision, despite austerity measures, to maintain planned funding levels for evaluation in 2017, and the 50 per cent increase in the number of country offices with dedicated monitoring and evaluation officers, while urging UNFPA to achieve gender parity across monitoring and evaluation staff. Expressing concern that the budget for decentralized evaluations had fallen, they looked forward to the launch of the global programming system. They expected UNFPA to adequately resource evaluation in the integrated results framework, 2018-2021, and called for increased budget allocations for operational efficiency. The group welcomed UNFPA engagement in independent system-wide evaluations and its active participation in UNEG, including UN-SWAP.

95. In response, the Director ad interim, Evaluation Office, UNFPA, pointed out that the rise in corporate and programme-level evaluations was possible thanks to recruitment of junior staff (P2 and P3 levels). The need to recruit junior-level staff was a priority to ensure the evaluation function's effectiveness and sustainability, an issue addressed in the integrated budget, 2018-2021. She highlighted that most cancelled evaluations were those conducted at a centralized level; the new integrated budget would determine financial and human resources required to complete those evaluations.

96. The Acting Executive Director affirmed the Fund's commitment to the evaluation function and to working closely with the Evaluation Office. She thanked the Board for supporting the appointment of the new Director of the Evaluation Office, and stressed that UNFPA expected to undertake more real-time evaluations moving forward.

97. The Director, Programme Division, UNFPA, stressed management's commitment to fully resourcing the evaluation function, noting that the function was fully funded through core resources. Raising additional funding for evaluation would require either a higher cost-recovery rate or Member States' commitment to the 3 per cent principle in budgets negotiated at all levels. With the FACE 2 tool, 2017 reporting would reflect a more complete evaluation picture. He reiterated the effectiveness of real-time evaluations for decision-making and future programming.

98. The Executive Board adopted decision 2017/15 on UNFPA evaluation.

XII. UNFPA strategic plan, 2018-2021

99. The Acting Executive Director presented the draft UNFPA strategic plan, 2018-2021 (DP/FPA/2017/CRP.6 and annexes), highlighting the extensive consultations with Member States in developing the new plan. That, she said, deeply reflected the vision of the late Executive Director.

100. Board members commended the Fund for excellent consultations and timely issuance of the draft strategic plan, 2018-2021, and integrated results framework. They called for continued broad-based consultations in the lead-up to the second regular session 2017. They welcomed the plan's renewed strategic focus on universal access to sexual and reproductive health and reproductive rights, its four priority areas, the three transformative results, and its business plan, as well as focus on adolescents and youth, grounded in a human rights-based approach. They stressed the fundamental role of UNFPA in achieving the 2030 Agenda and Sustainable Development Goals, and welcomed 2030 Agenda integration in the new plan.

101. Delegations emphasized the importance of poverty eradication and reducing inequality in the new plan, focusing on the most vulnerable, and stepping up support to LDCs, in accordance with the Istanbul Programme of Action midterm review. Stressing the importance of nationally defined needs, they encouraged UNFPA to continue to explore South-South and triangular cooperation to complement but not substitute North-South cooperation. They underscored the importance of a strategic plan that reflected a diversified approach, addressing fundamental issues of particular regions, taking into account the needs of MICs and SIDS, in accordance with the SAMOA Pathway.

102. Board members called on UNFPA to reinforce, protect and prioritize its normative and operational work on human rights, sexual and reproductive health and reproductive rights, gender equality and empowerment of women and girls. They supported increased engagement in humanitarian action, in line with the Sendai Framework, delivering sexual and reproductive health and reproductive rights services and preventing gender-based violence, and looked forward to its larger role in the humanitarian-development-peace nexus, focused on human rights, especially for women and girls.

103. Delegations expressed concern over the ongoing funding decline, especially to core resources, which risked curtailing the Fund's ability to deliver, and appealed to Board members to step up core contributions to ensure a stable, predictable funding base. They called on UNFPA to incentivize donors by improving its operational efficiency and coordination with United Nations system partners, and to explore innovative approaches to resource mobilization and partnership building. Others requested clarity on mitigation strategies and austerity measures to address risks associated with the changing financial landscape and growing political opposition to sexual and reproductive health and reproductive rights services.

104. Board members expressed support for the Secretary-General's reform agenda and its reflection in the new strategic plan, noting the need to step up coordination with United Nations organizations. They commended UNFPA for following up on many 2016 quadrennial review recommendations, and encouraged it to analyse coordination efforts in the new plan, building on agencies' comparative advantages. Delegations stressed the importance of evaluation, audit and investigations, and strengthening the Board's oversight role. They commended UNFPA commitment to data collection and analysis, and highlighted the importance of credible and reliable data.

105. In a common statement, addressed to UNDP, UNFPA, UNICEF and UN-Women, a group of delegations welcomed the common chapter, and requested more information on innovative ways in which the organizations were working together – to be detailed in the common chapter and in strategic plans, budgets and results frameworks with common results, indicators and implementation modalities. They looked forward to revised plans and frameworks that reflected greater coherence, efficiency and effectiveness in agencies' operational work.

106. The Director, Programme Division, UNFPA, noting progress on United Nations reform, looked forward to targets emerging from the Deputy Secretary-General's leadership on system-wide coherence and 2016 quadrennial review implementation. He pointed to two key approaches: (a) taking stock of achievements, reflecting them in the strategic plan, 2018-2021, and results framework; and (b) maintaining inter-agency informal working mechanisms following the plan's approval. Agency frameworks had to be flexible enough to adapt to system-wide coherence requirements of the United Nations quadrennial review working group. UNFPA would reflect the full spectrum of its partnerships in the new strategic plan.

XIII. UNFPA country programmes and related matters

107. The Acting Executive Director introduced the item and introduced the country programme document for Cameroon and the first one-year extension of the country programme for Nicaragua, followed by the Regional Director for West and Central Africa who presented more detailed information on the country programme document for Cameroon.

108. The Executive Board reviewed and approved, in accordance with its decision 2014/7, the country programme document for Cameroon [DP/FPA/CPD/CMN/7], and took note of the one-year extension of the country programme for Nicaragua [DP/FPA/2017/8].

UNOPS segment

XIV. Statement by the Executive Director and annual report of the Executive Director

109. The Executive Director, UNOPS, presented her annual report 2016 (DP/OPS/2017/2 and annexes). She stressed that implementation, especially of the Sustainable Development Goals, was UNOPS primary focus. Implementation achievements in peace and security were the fruit of inter-agency cooperation and coordination. The annual report showed that the top measures of UNOPS impact were job creation and technical assistance, and consistent demand for UNOPS services. In 2016, procurement topped the delivery list, focused on national capacity building and supporting local economies. Equally important was UNOPS work on infrastructure, in creating waste management facilities, building resilience of coastal zones and improving the safety of refugee camps, while exploring pioneering models to address population growth and urbanization through 'evidence-based infrastructure'.

110. The UNOPS strategic plan, 2018-2021, sought to reflect those approaches while aligning them with UNOPS core competencies. Human resources are paramount; its internal system

allowed the organization to adjust deployment of human resources and provision of procurement to changing needs. UNOPS held itself to international standards to ensure its internal processes improved operational effectiveness. In 2016, UNOPS again received the gold award of the Chartered Institute of Procurement and Supply, while it expanded ISO certifications, extended its coverage of international standards in health and safety, and gained accreditation in quality management. Innovation was key to its ability to deliver, thanks to its renewed enterprise resource planning platform and expansion of its new governance, risk and compliance framework.

111. Board members welcomed 2016 results, recognizing that many took place in challenging contexts. They reiterated strong support for UNOPS role in sustainable project management, infrastructure construction and procurement. They noted UNOPS success in creating three million days of work for local populations and establishing training and certification programmes locally. They showed support for the organization's mainstreaming of capacity building and self-financing model, and commended its good financial health and growing operational reserve. Delegations welcomed UNOPS readiness to lead on technical design processes, and expressed support for its seed capital facility, innovation and technology hub and crowdfunding pilot for social impact investment.

112. Board members encouraged UNOPS to focus on improving gender balance, both among staff and local implementing partners, in the new strategic plan. Delegations were pleased that UNOPS first sustainability report was aligned with the global reporting initiative model, and welcomed its benchmarking against international standards. They felt there was room to improve the annual report to capture broader outcomes and impacts. They encouraged UNOPS to reflect challenges and lessons of the Strategic Plan, 2014-2017, in the new strategic plan, 2018-2021, and to more widely publicize its innovative practices.

113. UNOPS work was vital for the United Nations system to deliver. Recognizing UNOPS unique operational mandate and role in joint procurement, delegations encouraged United Nations system organizations to work closely with UNOPS for efficient programme implementation and cost efficiency. There was a call for UNOPS to engage more broadly in partnership with SIDS and MICs where its expertise could boost capacities for the Goals. UNOPS work in procurement and infrastructure sustainability were critical to MICs, SIDS and regions vulnerable to shocks.

114. Board members appreciated the consultative process in developing the strategic plan, 2018-2021, and looked forward to discussions in the lead up to its adoption. The new plan should be focused and aligned with the 2030 Agenda, the Secretary-General's reform agenda and 2016 quadrennial review, and ensure UNOPS was a results-based, innovative, learning organization, coordinated with the United Nations system in accordance with country demands and priorities. The new plan should focus on youth, recognize the rights and role of women as change agents, bridge the humanitarian-development-peace divide, deliver-as-one, and prioritize partnership building and innovation.

115. In response, the Executive Director highlighted that UNOPS had improved its services, aligned with the 2030 Agenda, and launched the social impact investment initiative. It had strengthened its governance, risk management and compliance processes, and aligned its reporting with the global reporting initiative. UNOPS adoption of enterprise risk management and a quarterly review had allowed managers to monitor and address risk regularly. UNOPS had many successes thanks to its local presence focused on employing local skilled personnel and engaging local businesses. UNOPS had launched innovation centres where it connected local needs and entrepreneurs to larger tech companies and educational institutions. UNOPS had also taken steps to achieve gender balance among staff, project personnel and in results.

116. The Executive Board adopted decision 2017/16 on the annual report of the Executive Director.

Joint segment

XV. Internal audit and oversight

117. The Director, Office of Audit and Investigations (OAI), UNDP, presented the report on internal audit and investigations (DP/2017/26 and annexes), and the Director, Bureau for Management Services, UNDP, provided the management response. The Director, Office of Audit and Investigations Services (OAIS), UNFPA, presented the report on the UNFPA internal audit and investigations activities in 2016 (DP/FPA/2017/6, Add.1, Add.2 and annexes), and the UNFPA Acting Executive Director provided the management response (DP/FPA/2017/6/CRP.4). The Director, Internal Audit and Investigations Group, UNOPS, presented the activity report for 2016 of the Internal Audit and Investigations Group (DP/OPS/2017/3) and the Deputy Executive Director, UNOPS, provided the management response.

118. In common comments, delegations highlighted that the UNDP and UNFPA reports helped them become more sustainable, effective and efficient. They were pleased the reports confirmed the offices' independence and backing by external reviews. They welcomed the overall opinion on adequacy and effectiveness of their frameworks for governance, risk management and control. They welcomed information provided on investigations, but wished to learn how they interpreted the level, spread and mix of cases, and effectiveness of systems to prevent and detect fraud. They requested information on efforts to recover losses, while encouraging timely loss-recovery. The organizations should strengthen and prioritize preventing, detecting and sanctioning fraud through a stronger United Nations system approach. They urged them to address recurring audit recommendations and provide details on responses, with implementation milestones and targets.

UNDP

119. Delegations were pleased with the reduction in audit recommendations, open for more than 18 months, and improvement in implementation rate. They encouraged UNDP to address shortfalls in vendor management and procurement, especially of implementing partners. They urged UNDP to manage potential high risks of corruption in procurement. Given the 'partially satisfactory' rating, they noted the need for improvements in governance, risk management and control, while recognizing they were generally established and functioning. They encouraged UNDP to continue to offer analysis of organizational risks and show how it informed overall opinion. They were concerned that weaknesses in procurement, and programme and financial management, might pose fiduciary and delivery risks and undermine its ability to deliver value for money. There was a call for details on progress against two 'unsatisfactory' ratings for the United Nations Office for South-South Cooperation (UNOSSC) and procurement process. On loss recovery, they requested that UNDP provide better year-by-year information.

UNFPA

120. Delegations welcomed the analysis explaining the opinion on adequacy and effectiveness of the UNFPA framework for governance, risk management and control, and inclusion of good practices. They noted OAIS concern that resources were insufficient to expand internal audit coverage or manage its growing, complex investigation caseload. They requested that UNFPA elaborate on envisaged additional support to OAIS. They noted the increased number of audit recommendations implemented, and welcomed the decline in 'unsatisfactory' ratings in 2016 in office governance, programme management and operations management. Noting the higher number of outstanding audit recommendations in 2016, they requested details on underlying factors. Noting issues on supply-chain management and availability of reproductive health commodities, they encouraged UNFPA to pay greater attention to last-mile delivery to ensure commodities reached beneficiaries. One delegation urged UNFPA to prioritize audit

recommendations on fraud and financial management, and commended its commitment to implementing audit recommendations and pursuing zero-tolerance on fraud, mismanagement and retaliation.

121. Delegations made no comments on UNOPS.

122. In response, the Director, Office of Audit and Investigations, UNDP, highlighted that UNDP would conduct a follow-up audit on audits having received 'unsatisfactory' ratings, including vendor management. On the 'unsatisfactory' audit rating for UNOSSC, he reported that UNDP had closed all 16 recommendations, with no outstanding issues remaining.

123. The Director, Bureau for Management Services, UNDP, highlighted that UNDP was pleased that both investigation case numbers and substantiated cases and financial losses were down. One case involving fraud accounted for the majority of the loss. UNDP had applied its zero tolerance policy, using all means possible, including voluntary surrender of the staff-member-in-question's pension to contribute towards loss-recovery, which required collaboration with United Nations system entities and national authorities on prosecution. UNDP would provide the Board with a year-by-year update on losses and recovery. UNDP was addressing 40 per cent of vendor management recommendations, part of which included establishing a system to filter duplications and archive inactive vendors. UNDP had assigned additional procurement specialists to regional hubs for country office support, and centralized higher risk procurement to ensure it received top priority. UNDP had clustered the financial function in two regions to improve oversight and financial control.

124. The Director, Office of Audit and Investigation Services, UNFPA, noted that rising case numbers was promising (because it meant greater staff confidence in the office and an effective working relationship between audit and investigation) and discouraging (because cases might arrive en masse and would have to be prioritized). Half the cases were fraud-related and external, the rest internal; the magnitude of potential losses was different, with external cases usually of higher value. In assessing losses, the office focused on (and presented) what could be substantiated; for corruption cases, there were no mechanisms to measure the total loss at stake had corruption not occurred. On loss recovery, the office worked with the UNFPA legal office. On audit coverage, a number of factors – caseload and overall resources, austerity measures, reverted mid-year – affected the office's ability to address its workload. With additional resources in 2017, the office was striving to reach – barring staff movements – its projected audit coverage, for which management support was crucial. Noting the drop in 'unsatisfactory' ratings in 2016, she emphasized that audit work was risk-based and findings fluctuated yearly. Stressing continuous work with management on combatting fraud, she encouraged management to address outstanding recommendations holistically.

125. The UNFPA Deputy Executive Director highlighted the strong collegial relationship between OAIS and management, built on a culture of accountability, which emboldened staff to speak out and bring forward cases. On the last mile, UNFPA was partnering with a consultancy firm to undertake rapid assessments and define an optimal community security supply-chain management focused on beneficiaries.

126. The Director, Division for Management Services, UNFPA, stated that recent austerity measures were not applied to OAIS nor had management – concerned with ensuring the office's independence – proposed budget cuts. The office's budget derived from the institutional budget, with expected increases the following year; that, however, meant cuts to other areas. On inventory management, UNFPA had taken a holistic approach in its supply-chain policy. He reaffirmed the close relationship with OAIS, the legal office and management, and the Fund's strict zero tolerance for fraud and pursuit of loss recovery.

127. The Executive Board adopted decision 2017/17 on the reports of UNDP, UNFPA and UNOPS on internal audit and investigations and management response.

XVI. Reports of the UNDP, UNFPA and UNOPS ethics offices

128. The Director, Ethics Office, UNDP, presented the activities of the UNDP Ethics Office in 2016 (DP/2017/27) and the Director, Bureau for Management Services, UNDP, provided the management response. The UNFPA Ethics Advisor presented the UNFPA report of the Ethics Office 2016 (DP/FPA/2017/7) and the UNFPA Deputy Executive Director (Management) provided the management response (DP/FPA/2017/CRP.5). The Legal Counsel, UNOPS, presented the activities of the UNOPS Ethics Office in 2016 (DP/OPS/2017/4) and the management response.

129. A group of delegations recognized the UNDP Ethics Office's role in fostering a culture of ethics, integrity and accountability. They welcomed the successful implementation of outstanding Ethics Office recommendations in 2016, and looked forward to implementation of the UNDP code of ethics. They commended the Ethics Office for being adaptable, innovative and strategic in undertaking its workload. Stressing adequate funding was key to the office's effective functioning, they encouraged management to explore permanent solutions to staffing gaps. They applauded UNDP support for Ethics Office participation in Organizational Performance Group meetings and encouraged the office to continue to provide policy input to it and other groups. They appreciated the office's ethics training, innovative awareness-raising and expansion of online staff courses. The rising numbers of staff seeking Ethics Office advice was a positive sign, though difficulty resolving one substantiated case, owing to poor inter-agency cooperation, raised concern. They urged UNDP management to work with the Ethics Office to strengthen inter-agency cooperation on ethics matters. The delegations called on UNDP to treat Ethics Office resources as a priority.

130. The Board addressed no comments to UNFPA or UNOPS.

131. In response, the Director, Ethics Office, UNDP, explained that in the one substantiated case the complainant was no longer at risk of retaliation because the retaliator was forced to exit the country in question. UNDP extended the complainant's contract an additional year and permitted him to attend out-of-country training courses previously denied. Those outcomes were in line with Ethics Office corrective actions. The one unresolved issue was its inability to retransfer the complainant to his previous position, owing to the agency-in-question's administrative policies – though the complainant stated to be satisfied with his current role. The Ethics Office was engaged with the United Nations Ethics Panel in exploring ways to more effectively address similar cases and harmonize practices.

132. The Director, Bureau for Management Services, UNDP, underscored UNDP management's commitment to promoting a culture of ethics and supporting the Ethics Office. She stressed that despite financial constraints UNDP management had prioritized resource allocation for the Ethics Office.

133. The Executive Board adopted decision 2017/18 on the reports of the ethics offices of UNDP, UNFPA and UNOPS.

United Nations DP/2017/29

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Decisions adopted by the Executive Board at its annual session 2017

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(30 May to 8 June 2017, New York)

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2017/9
Special session 2017

The Executive Board

In accordance with Rule 1, paragraph 3 of the Rules of Procedure of the Executive Board, *decides* to convene a special session in November 2017 for the purpose of considering and adopting the UNDP strategic plan and integrated budget for the period 2018-2021.

8 June 2017

2017/10
Cumulative review of the UNDP Strategic Plan, 2014-2017 and annual report of the Administrator

The Executive Board

1. *Takes note* of the cumulative review of the third year of implementation of the Strategic Plan, 2014-2017 (document DP/2017/15) and its annexes;

2. *Takes note* of the enhanced analysis introduced by UNDP to identify reasons behind lower performance and report lessons learned as well as measures taken to improve identified weaknesses during the implementation of the Strategic Plan;

3. *Takes note* of the additional analysis provided in annex 1 presenting results achieved to date against the final 2017 targets by output;

4. *Urges* UNDP to accelerate progress and meet the 2017 targets as set out in the integrated results and resources framework for all development and institutional effectiveness outputs;

5. *Requests* UNDP to incorporate the lessons learned from the relevant analyses of performance under the current Strategic Plan, including the assessment of UNDP institutional effectiveness and the evaluation of the Strategic Plan itself, in the formulation of the new strategic plan, and urges UNDP to strengthen outputs, outcome and impact indicators in consultation with programme implementing units in the organization;

6. *Recognizes* the inter-agency efforts made to harmonize the report card methodology and format, and requests UNDP to continue consultations with United Nations funds and programmes for further alignment of reporting;

7. *Urges* UNDP to continue to align its results architecture with the Sustainable Development Goals framework, in coordination with other United Nations funds and programmes, to help measure performance in supporting implementation of the 2030 Agenda;

8. *Requests* UNDP to include in its future annual reports information on the development context of countries while reporting on strategic plan outputs;

9. *Welcomes* the annual report of the Administrator on the implementation of the UNDP gender equality strategy in 2016 and the achievements in this regard;

10. *Expresses concern* that UNDP is not meeting all its benchmarks for projects that have gender equality as a principal objective and encourages UNDP to take necessary corrective measures in this regard;

11. *Notes* that the inclusion of gender equality results and indicators in the present Strategic Plan and integrated results and resources framework, as well as the gender equality strategy, have been useful to advance UNDP work on gender equality and women's empowerment, and requests UNDP to incorporate lessons learned from the implementation of the current gender equality strategy in the next strategic plan and integrated results and resources framework to further advance gender equality and women's empowerment.

8 June 2017

2017/11
Cumulative review of the UNDP integrated budget, 2014-2017

The Executive Board

1. *Takes note* of the cumulative review of the integrated budget, 2014-2017 (document DP/2017/16) and its annexes;

2. *Recalls* Executive Board decision 2015/16 which emphasized that regular resources are the bedrock of UNDP and essential to maintaining the multilateral, neutral and universal nature of its mandate and to carry out its work, and in this regard, encourages UNDP to further mobilize these resources while continuing to mobilize other resources to respond to the needs of all programme countries, particularly the poorest and most vulnerable;

3. *Expresses concern* about the negative effects of decreased funding, particularly on the UNDP capacity for programmatic activities, development effectiveness and provision of technical advisory services to country offices;

4. *Emphasizes* the need for UNDP to continue to improve transparency in the use of resources to achieve programme results and to enhance organizational effectiveness and efficiency and *requests* UNDP to present in its future financial planning and reports a higher level of detail on the way regular (core) resources are attributed and used, inter alia with regard to staff costs, programming arrangements, programmatic budget lines, oversight functions, development effectiveness and the special purpose activities budget line;

5. *Acknowledges* progress made by UNDP in cost alignment through implementation of the cost-recovery policy, notes that UNDP should make further progress and encourages UNDP contributors to adhere to the aspects of the cost-recovery policy approved by the Executive Board in decision 2013/9;

6. *Recalls* decision 2013/9 in which the Executive Board requested UNDP to recommend adjustments to the approved cost-recovery rates, as required, to be presented at the 2016 annual session of the Executive Board, notes that this process has been delayed and requests UNDP, together with UNFPA, UN-Women and UNICEF, to continue the consultations with Member States with regard to the cost-recovery policy and to present evidence-based proposals for harmonized cost-recovery policies of UNDP, UNFPA, UN-Women and UNICEF, with adjustments if required, for consideration by the respective Executive Boards no later than their annual sessions in 2018;

7. *Recalls* decision 2016/5 and requests UNDP to incorporate relevant lessons learned from the integrated budget, 2014-2017, inter alia with regard to results-based budgeting, in the preparation of the integrated budget for 2018-2021;

8. *Requests* that UNDP provide details on all relevant funding sources, including regular resources and, for informational purposes, other resources, in the development of the next integrated budget.

8 June 2017

2017/12
UNDP evaluation

The Executive Board

With regard to the annual report on evaluation, 2016 (document DP/2017/20):

1. *Takes note* of the summary and of the full annual report;

2. *Requests* UNDP to address the issues raised in the annual report and its UNDP management response;

3. *Approves* the 2017 proposed budget, requests that the Independent Evaluation Office budget reach 0.2 per cent of the UNDP budget, as stipulated in the UNDP evaluation policy, and approves the workplan for the Independent Evaluation Office for 2017;

4. *Requests* UNDP to further advance collaboration and joint evaluation work with other United Nations entities, especially United Nations funds and programmes;

5. *Encourages* UNDP management to work with the Independent Evaluation Office to continue its efforts to strengthen the quality and process of decentralized evaluations and to use the evaluations as learning and knowledge management tools to enhance future programmes;

With regard to the joint assessment of the institutional effectiveness of UNDP (document DP/2017/21) and the management response thereto (document DP/2017/22):

6. *Takes note* of the assessment, which is a collaborative joint effort of the Independent Evaluation Office and the Office of Audit and Investigations, its conclusions and recommendations, and the response from UNDP management;

7. *Notes* that the inclusion of organizational effectiveness and efficiency results and indicators in the Strategic Plan, 2014-2017 and integrated results and resources framework has been useful to advance organizational effectiveness and efficiency and to inform the Executive Board on progress in this regard;

8. *Requests* UNDP to implement the recommendations of the assessment, taking into account its findings and conclusions, and to draw lessons learned when developing the strategic plan, 2018-2021, and to include effectiveness and efficiency results indicators in the plan and the integrated results and resources framework, 2018-2021, to ensure adequate monitoring and evaluation of programmes, especially at country level;

9. *Requests* that UNDP continue its efforts to improve organizational effectiveness and efficiency by: (a) utilizing theories of change to underpin programming; strengthening results-based reporting; strengthening learning and knowledge management; strengthening a culture of learning; and improving transparency and accountability throughout the organization at all levels; and (b) assessing staffing, capacities and resources at regional centres and hubs, including their financial sustainability, to optimize the working model and knowledge management between headquarters, regional and country levels;

With regard to the evaluation of the strategic plan to be presented to the Executive Board at its second regular session 2017,

11. *Requests* the Independent Evaluation Office to ensure the timely publication of the evaluation of the UNDP Strategic Plan, Global Programme and Regional Programmes, 2014-2017, in order for the evaluation to be considered by the Executive Board at the second regular session in September 2017, in the context of developing the new strategic plan;

12. *Requests* that UNDP build on lessons learned from the current Strategic Plan and Integrated Results and Resources Framework, 2014-2017, and the findings, conclusions and recommendations of relevant evaluations and the joint assessment of the institutional effectiveness of UNDP when developing the strategic plan and integrated results and resources framework, 2018 – 2021.

8 June 2017

2017/13
United Nations Capital Development Fund: integrated annual report on results for 2016 and cumulative report on the strategic framework, 2014-2017

The Executive Board

1. *Takes note* of the results achieved by the United Nations Capital Development Fund (UNCDF) in 2016;

2. *Notes* that the cumulative review of its strategic framework, 2014-2017, confirms the continued strong performance of UNCDF against set targets;

3. *Notes* however the negative impact of the shortfall in regular resources on the UNCDF country presence, innovation space, and capital investment flexibility;

4. *Expresses* concern that regular resources remain short of the $25 million per year target agreed in the strategic framework, and notes with concern that, as a result, the number of least developed countries (LDCs) supported by UNCDF is at risk of further decline;

5. *Welcomes* the steps taken to prepare the next UNCDF strategic framework, 2018-2021, in a consultative manner with the Board; and welcomes that as part of that process UNCDF has been developing results-to-resources scenarios to clarify the choices that can drive the UNCDF business and funding model in the future;

6. *Calls on* Member States in a position to do so to contribute to UNCDF regular resources to ensure that it can reach the target of $25 million per year in regular resources;

7. *Recognizes* the strategic positioning of UNCDF in the current financing for development landscape and the strong relevance of UNCDF innovations and 'last mile' finance models in catalysing additional resources into LDCs, and to this end encourages UNCDF to continue optimizing its financial toolbox through its effective use of grants, loans, and guarantees.

8 June 2017

2017/14
Annual report of the UNFPA Executive Director: progress made in implementing the strategic plan, 2014-2017

The Executive Board

1. *Takes note* of the documents that make up the report of the Executive Director, DP/FPA/2017/4 (Part I, Part I/Add.1 and Part II), including the relevant annexes available on the UNFPA website;

2. *Notes with appreciation* the progress achieved in implementing the results frameworks of the UNFPA strategic plan, 2014-2017;

3. *Requests* that UNFPA take into account the findings and conclusions of and build on and integrate lessons learned from the current strategic plan and integrated results and resources framework for 2014-2017, and the findings, conclusions and recommendations of relevant evaluations, including the evaluation of the architecture supporting the operationalization of the UNFPA strategic plan, 2014-2017, when developing the strategic plan and integrated results and resources framework for 2018-2021;

4. *Requests* UNFPA management to provide an oral update to the Executive Board, at its second regular session 2017, and also to report, at its annual session 2018, on the implementation of the seven recommendations of the evaluation of the architecture supporting the operationalization of the UNFPA strategic plan, 2014-2017;

5. *Recognizes* the inter-agency efforts made to harmonize the report methodology and format, and requests UNFPA to continue consultations with United Nations funds and programmes for further alignment of reporting;

6. *Urges* UNFPA to continue to align its results architecture with the Sustainable Development Goals framework, in coordination with other United Nations funds and programmes, to help measure performance in supporting implementation of the 2030 Agenda;

7. *Requests* UNFPA to include in its future annual reports a more detailed analysis and reflection on the challenges and lessons learned per outcome area and on the collaboration and coordination within the United Nations system;

8. *Encourages* UNFPA in its future annual reports to include a more detailed analysis of the results achieved with regular (core) resources;

9. *Expresses concern* about the negative effects of decreased funding on achieving the outputs of the strategic plan, and, in this regard, requests UNFPA, to further explore incentives and mechanisms to encourage donor countries and other countries in a position to do so to increase and prioritize regular resources contributions to facilitate a shift to less restricted other resources, aligned to the strategic plan, and to broaden the donor base and attract new sources of funding, including through new approaches to resource mobilization and new forms of support from diversified sources;

10. *Welcomes* the different efficiency measures implemented by UNFPA management, and urges UNFPA to build on its efforts in this regard;

In relation to the development of the integrated budget, 2018-2021:

11. *Emphasizes* the need for UNFPA to continue to improve transparency in the use of resources to achieve programme results and to enhance organizational effectiveness and efficiency, and *requests* UNFPA to present in its future financial planning and reports a higher level of detail on the way regular (core) resources are attributed and used;

12. *Acknowledges* progress made by UNFPA in cost alignment through implementation of the cost-recovery policy, notes that UNFPA should make further progress, and encourages UNFPA contributors to adhere to the aspects of the cost-recovery policy approved by the Executive Board in decision 2013/9;

13. *Recalls* decision 2013/9, in which the Executive Board requested UNFPA to recommend adjustments to the approved cost-recovery rates, as required, to be presented at the 2016 annual session of the Executive Board, notes that this process has been

delayed, and requests UNFPA, together with UNDP, UNICEF and UN-Women, to continue the consultations with Member States with regard to the cost-recovery policy and to present evidence-based proposals for harmonized cost-recovery policies of UNDP, UNFPA, UNICEF and UN-Women, with adjustments, if required, for consideration by the respective Executive Boards no later than their annual sessions in 2018.

8 June 2017

2017/15
UNFPA evaluation

The Executive Board

1. *Takes note* of the present report on the evaluation function at UNFPA (DP/FPA/2017/5);

2. *Also takes note* of the Evaluation Office workplan for 2017 (annex I);

3. *Reaffirms* the role played by the evaluation function at UNFPA and underscores the importance of high-quality independent evaluation evidence in supporting the new UNFPA strategic plan, 2018-2021, and contributing to the implementation of the 2030 Agenda for Sustainable Development;

4. *Encourages* UNFPA management to work with the Evaluation Office to continue its efforts to strengthen the implementation rate and coverage of decentralized evaluations and to use the evaluations as learning and knowledge management tools to enhance future programmes;

5. *Requests* UNFPA to further advance collaboration and joint evaluation work with other United Nations entities, especially United Nations funds and programmes;

6. *Also requests* the Evaluation Office to present a revision of the current quadrennial evaluation plan, focusing on the remaining period (2018-2019), and propose the inclusion of 2020-2021 in the plan, aligning it with the forthcoming UNFPA strategic plan, 2018-2021;

7. *Further requests* a report on the state of the evaluation function at UNFPA in 2018.

8 June 2017

2017/16
Annual report of the UNOPS Executive Director

The Executive Board

1. *Recognizes* the contributions of UNOPS to the operational results of Governments, the United Nations and other partners in 2016, through efficient management support services and effective specialized technical expertise, expanding the implementation capacity for sustainable development;

2. *Takes note* of the progress made in advancing the potential for facilitating partnerships for social impact investments in the areas of the UNOPS mandate;

3. *Acknowledges* efforts made to enhance reporting on the contributions of UNOPS to partners' sustainable results, including the pursuit of best practices and recognized standards;

4. *Welcomes* the progress made in implementing the UNOPS strategic plan, 2014-2017, as calibrated through the midterm review, which reconfirms the viability of its

unique demand-driven business model and establishes strong foundations for UNOPS to support Member States' achievement of the 2030 Agenda;

5. *Also welcomes* the UNOPS annual report on the recommendations of the Joint Inspection Unit and the considerable progress made in implementing recommendations of relevance to UNOPS.

8 June 2017

2017/17
Reports of UNDP, UNFPA and UNOPS on internal audit and investigations

The Executive Board

1. *Welcomes* the progress of UNDP, UNFPA and UNOPS in addressing audit-related management issues in 2016;

2. *Notes* the efforts to implement outstanding audit recommendations from previous reports, and calls for further improvement;

3. *Recalls* decision 2016/13, in which the Board expressed concern about recurring weaknesses for both UNDP and UNFPA related to programme management, procurement, governance and financial management, notes that similar challenges have been identified in the 2016 reports, and underscores the urgent need to intensify efforts to address these issues;

4. *Takes note with concern* of the 'partially satisfactory' rating for 2016 in the opinions on the governance, risk management and control frameworks of UNDP and UNFPA, and urges UNDP and UNFPA to prioritize action to address the findings and recommendations on their respective governance, risk management and control frameworks;

With regard to UNDP:

5. *Takes note* of the report on internal audit and investigations (DP/2017/26);

6. *Takes note with appreciation* of the annual report of the Audit and Evaluation Advisory Committee;

7. *Requests* management to continue to strengthen the internal audit and investigation oversight of UNDP in all areas, including procurement, programme management, financial management and fraud detection;

8. *Expresses particular concern* that weaknesses in procurement management have become a recurring issue in the audit reports, and expects UNDP to rectify this in a more thorough and strategic manner;

9. *Welcomes* the establishment by UNDP of a cross-functional task force to increase the rate of recovery of defrauded assets and the improvement in recovery of funds, and urges UNDP to further its efforts in this matter;

10. *Requests* management to provide regular updates on recovery of assets, including recovery trends, to the Executive Board at its annual session;

With regard to UNFPA:

11. *Takes note* of the report on internal audit and investigation activities of the UNFPA Office of Audit and Investigation Services (DP/FPA/2017/6), the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the UNFPA framework of governance, risk management and control (DP/FPA/2017/6/Add.1), the annual report of the Audit Advisory Committee (DP/FPA/2017/6/Add.2), and the management response (DP/FPA/2017/CRP.4) thereto and to the present report;

12. *Expresses* its continuing support for the audit and investigation functions at UNFPA, and for the provision of appropriate and sufficient resources to discharge their mandate, including by filling all vacancies in the Office of Audit and Investigation Services with competent personnel;

13. *Notes* the Audit Advisory Committee's concern regarding delays in the audit process, and urges UNFPA management to facilitate the audit process in a timely manner;

14. *Acknowledges and supports* the engagement of the Office of Audit and Investigation Services in joint audit and investigation activities;

With regard to UNOPS:

15. *Takes note* of the annual report of the Internal Audit and Investigations Group for 2016 and the management response thereto;

16. *Takes note* of the progress made in implementation of audit recommendations, including those that are more than 18 months old;

17. *Takes note* of the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (in line with Executive Board decision 2015/13);

18. *Takes note* of the annual report of the Audit Advisory Committee for 2016 (in line with Executive Board decision 2008/37).

8 June 2017

2017/18
Reports of the ethics offices of UNDP, UNFPA and UNOPS

The Executive Board

1. *Welcomes* the reports of the ethics offices of UNDP, UNFPA and UNOPS (DP/2017/27, DP/FPA/2017/7 and DP/OPS/2017/4);

2. *Urges* UNDP, UNFPA and UNOPS to continue to provide adequate resources to their ethics offices to ensure that they can carry out their work effectively;

3. *Encourages* UNDP, UNFPA and UNOPS and their respective ethics offices to continue efforts to ensure that ethics remains a guiding force in their business operations;

With regard to UNDP:

4. *Notes* the progress made by the UNDP Ethics Office in strengthening the ethical culture in UNDP, including training, raising ethics awareness and protection against retaliation;

5. *Further notes* the successful implementation in 2016 of all prior open UNDP Ethics Office management recommendations and the overall improvement in responses to ethics-related questions in the latest UNDP general staff survey;

With regard to UNFPA:

6. *Notes* the progress of the work of the UNFPA Ethics Office, and takes note of its recommendations made to management.

8 June 2017

2017/19
Overview of decisions adopted by the Executive Board at its annual session 2017

The Executive Board

Recalls that during its annual session 2017, it:

Item 1
Organizational matters

Adopted the agenda and approved the workplan for its annual session 2017 (DP/2017/L.2);

Approved the report of the first regular session 2017 (DP/2017/13);

Approved the tentative workplan for the second regular session 2017;

Adopted decision 2017/9 in which it decided to convene a special session in November 2017 for the purpose of considering and adopting the UNDP strategic plan and integrated budget for the period 2018-2021;

Agreed to the following schedule for the remaining sessions of the Executive Board in 2017:

Second regular session:	5 to 11 September 2017
Special session:	November 2017.

UNDP segment

Item 2
Annual report of the Administrator

Adopted decision 2017/10 on the cumulative review of the UNDP Strategic Plan, 2014-2017 and annual report of the Administrator.

Item 3
Financial, budgetary and administrative matters

Adopted decision 2017/11 on the cumulative review of the UNDP integrated budget, 2014-2017.

Item 4
UNDP strategic plan, 2018-2021

Heard presentations and commented on the zero draft of the strategic plan (DP/2017/CRP.2) and integrated results and resources framework for 2018-2021.

Item 5
Gender equality at UNDP

Took note of the annual report on the implementation of the UNDP gender equality strategy in 2016 (DP/2017/18).

Item 6
Human Development Report

Took note of the update on the Human Development Report consultations.

Item 7
Country programmes and related matters

Approved the following country programme in accordance with decision 2014/7: Cameroon (DP/DCP/CMR/3);

Took note of the first one-year extensions of the country programmes for Lesotho and Liberia, already approved by the Administrator (DP/2017/19);

Approved the second one-year extension of the country programme for Burundi (DP/2017/19).

Item 8
Evaluation

Adopted decision 2017/12 on the annual report on evaluation, 2016 and the joint assessment of the institutional effectiveness of UNDP and management response.

Item 9
United Nations Capital Development Fund

Adopted decision 2017/13 on the UNCDF integrated annual report on results for 2016 and cumulative report on the strategic framework, 2014-2017.

UNFPA segment

Item 10
Annual report of the UNFPA Executive Director

Adopted decision 2017/14 on the annual report of the UNFPA Executive Director: progress made in implementing the strategic plan, 2014-2017.

Item 11
UNFPA evaluation

Adopted decision 2017/15 on UNFPA evaluation.

Item 12
UNFPA strategic plan, 2018-2021

Heard presentations and commented on the draft UNFPA strategic plan, 2018-2021 (DP/FPA/2017/CRP.6) and related annexes.

Item 13
UNFPA country programmes and related matters

Approved, in accordance with decision 2014/7, the UNFPA country programme for Cameroon (DP/FPA/CPD/CMR/7);

Took note of the one-year extension for the UNFPA country programme for Nicaragua (DP/FPA/2017/8).

UNOPS segment

Item 14
United Nations Office for Project Services

Adopted decision 2017/16 on the annual report of the Executive Director.

Joint segment

Item 15
Internal audit and oversight

Adopted decision 2017/17 on the reports of UNDP, UNFPA and UNOPS on internal audit and investigations.

Item 16
Reports of the ethics offices of UNDP, UNFPA and UNOPS

Adopted decision 2017/18 on the reports of the ethics offices of UNDP, UNFPA and UNOPS.

Also held the following briefings, informal consultations and special events:

UNDP

Briefing on the preliminary findings and conclusions of the evaluation of the UNDP Strategic Plan, 2014-2017, and Global and Regional Programmes, and preliminary management response;

Briefing on the early findings of the evaluation of the United Nations Volunteers programme (UNV) strategic framework 2014-2017 results, and the UNV strategic framework, 2018-2021;

Briefing on the UNCDF strategic framework, 2018-2021;

Informal consultation on the UNDP integrated budget, 2018-2021;

UNFPA

Tribute to the late Dr. Babatunde Osotimehin, Executive Director of UNFPA;

Informal consultation on the UNFPA integrated budget, 2018-2021.

TENTATIVE WORKPLAN
EXECUTIVE BOARD OF UNDP, UNFPA and UNOPS
SECOND REGULAR SESSION 2017
(5 – 11 September 2017, New York)

Day/date	*Time*	*Item*	*Subject*
Tuesday, 5 September	10 a.m. – 1 p.m.	1	ORGANIZATIONAL MATTERS • Adoption of the agenda and workplan for the session • Adoption of the report of the annual session 2016 **UNDP segment** STATEMENT BY THE ADMINISTRATOR
		2	UNDP STRATEGIC PLAN, 2018-2021 • Draft UNDP Strategic Plan, 2018-2021
	3 – 5:30 p.m.	2	UNDP STRATEGIC PLAN, 2018-2021 (cont'd)
	5:30 – 6 p.m.		*Informal consultations on draft decisions*
Wednesday, 6 September	10 a.m. – 1 p.m.		**UNDP segment (cont'd)**
		3	STRUCTURED FUNDING DIALOGUE • Annual review of the financial situation, 2016, including information on the status of regular funding commitments to UNDP and its funds and programmes for 2017 and onwards, and update on financing strategy, including expansion of the donor base, private sector funding, partnerships and use of innovative financing
		4	FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS • Draft UNDP integrated budget, 2018-2021
	3 – 5:30 p.m.	4	FINANCIAL, BUDGETARY AND ADMINISTRATIVE ISSUES (cont'd)
		5	EVALUATION • Evaluation of the UNDP strategic plan, global and regional programmes and management response
	5:30 – 6 p.m.		*Informal consultations on draft decisions*
Thursday, 7 September	10 a.m. – 1 p.m.		**UNFPA segment** STATEMENT BY THE EXECUTIVE DIRECTOR
		7	UNFPA STRATEGIC PLAN, 2018-2021 • UNFPA Strategic Plan, 2018-2021
		8	FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS • UNFPA integrated budget for 2018-2021
	3 –5:30 p.m.	9	STRUCTURED FUNDING DIALOGUE • Report on contributions by Member States and others to UNFPA and revenue projections for 2017 and future years
	5:30 – 6 p.m.		*Informal consultations on draft decisions*

Friday, 8 September	10 a.m. – 1 p.m.		**UNOPS segment**
			STATEMENT BY THE EXECUTIVE DIRECTOR
		11	• UNOPS strategic plan, 2018-2021 • UNOPS biennial budget estimates, 2018-2019 • Report of the ACABQ on the UNOPS biennial budget estimates, 2018-2019 • Annual statistical report on the procurement activities of United Nations system organizations 2016
	3 – 5:45 p.m.		**UNFPA segment (cont'd)**
		10	UNFPA COUNTRY PROGRAMMES AND RELATED MATTERS • Presentation and approval of country programme documents Extensions of country programmes
	5:45 – 6 p.m.		*Informal consultations on draft decisions*
Monday, 11 September	10 a.m. – 1 p.m.		**UNDP segment (cont'd)**
		6	UNDP COUNTRY PROGRAMMES AND RELATED MATTERS • Presentation and approval of country programme documents • Extensions of country programmes
	3 - 6 p.m.		**Joint segment**
		12	FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS • Report of UNDP, UNFPA and UNOPS on joint procurement activities
		13	FOLLOW-UP TO UNAIDS PROGRAMME COORDINATING BOARD MEETING • Joint UNDP/UNFPA report on follow-up to recommendations of the Programme Coordinating Board of UNAIDS
		14	FIELD VISITS • Report on the joint field visit to Nepal
		15	OTHER MATTERS • Address by the Chairperson of the UNDP/UNFPA/UNOPS/ UN-Women Staff Council • Adoption of pending decisions
		1	ORGANIZATIONAL MATTERS • Draft annual workplan of the Executive Board for 2018 • Adoption of the tentative workplan for the first regular session 2018

United Nations DP/2017/30

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

Distr.: General
15 August 2017

Original: English

Second regular session 2017
5-11 September 2017, New York
Item 3 of the provisional agenda
Structured funding dialogue

Annual review of the financial situation, 2016
Report of the Administrator

Summary

This report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2016. UNDP maintained a positive net asset position on its balance sheet and achieved regular resources year-end liquidity above the threshold requested by the Executive Board.

Total UNDP revenue increased by 6 per cent, to $5.103 billion (2015: $4.820 billion), and contributions were 8 per cent higher than in the previous year, at $4.866 billion (2015: $4.486 billion). Total expenses were $4.660 billion (2015: $5.057 billion).

2016 was a challenging financial year, as contributions to regular resources fell by 12 per cent, to $0.618 billion (2015: $0.704 billion), including $0.015 billion from programme country governments (2015: 0.023 billion). Regular resources expenses fell commensurately, by 13 per cent, to $0.712 billion (2015: $0.823 billion), remaining above the level of revenue by drawing upon the accumulated surplus, excluding unrealized adjustments from previous years.

Other resources contributions grew by 12 per cent, to $4.248 billion (2015: $3.782 billion). The ratio of regular to other resources fell to 13 and 87 per cent, respectively (2015: 16 and 84 per cent).

Contributions to other resources comprised funding from: programme country governments, $0.98 billion, an increase of 9 per cent (2015: $0.901 billion); donor country governments, which increased by 12 per cent, to $1.489 billion (2015: $1.335 billion); and multilateral partners, which grew by 15 per cent, to $1.778 billion (2015: $1.546 billion). Other resources expenses decreased, by 7 per cent, to $4.151 billion (2015: $4.460 billion), remaining above the level of contributions.

UNDP coordinates the United Nations system at the country level and plays a vital role in forging development coherence. Further contributing towards coherence, the value of fund flows to multi-donor trust funds, joint programmes, and United Nations organizations rose by 10 per cent to $1.532 billion (2015: $1.389 billion).

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UNCDF revenue totalled $0.053 billion. Contributions decreased to $0.055 billion (2015: $0.058 billion). Total expenses decreased to $0.063 billion, primarily for development activities (2015: $0.067 billion), remaining above the level of total revenue by drawing upon the accumulated surplus from previous years.

Elements of a decision

The Executive Board may wish to:

(a) take note of documents DP/2017/30, DP/2017/30/Add.1, and DP/2017/31;

(b) note the importance of regular resources, which remains the bedrock of UNDP support to programme countries, particularly the poorest and most vulnerable, and to the coherence and effectiveness of the United Nations development system;

(c) urge Member States to prioritize regular resources and flexible other resources such as the new funding windows, given that further reductions in regular resources risk jeopardizing the ability of UNDP to achieve planned strategic results;

(d) recall the importance of funding predictability, timeliness of payments and adherence to multi-year pledges to avoid liquidity constraints in regular resources;

(e) urge Member States that have not yet provided their contribution to regular resources for 2017 to do so, and encourage those countries which have not contributed to regular resources in the past to consider doing so;

(f) recall decision 2013/30, and urge all programme countries to meet their obligations with respect to government local office costs.

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Annexes (available on the UNDP Executive Board web page)

I. UNDP overview

A. Statement of financial performance for the year ended 31 December 2016

B. Statement of financial position as at 31 December 2016

II. Regular resources – comparison of budget to actual, 2016

III. A. Integrated resources plan compared to 2014-2016 actuals

B. Institutional components of the integrated resources plan by functional cluster 2014-2017 estimates compared with 2014-2016 actuals

C. Resources allocated to posts, by location

IV. United Nations Capital Development Fund – overview

A. Statement of financial performance for the year ended 31 December 2016

B. Statement of financial position as at 31 December 2016

V. Explanations of terms used in DP/2017/30 and DP/2017/30/Add.1

I. Introduction

1. This report provides an overview of the financial position of UNDP and UNCDF at the end of 2016.

2. Annexes I-V are available on the Executive Board web page. Tables 1-11, in DP/2017/30/Add.1, provide further details of the activities undertaken by UNDP and UNCDF.

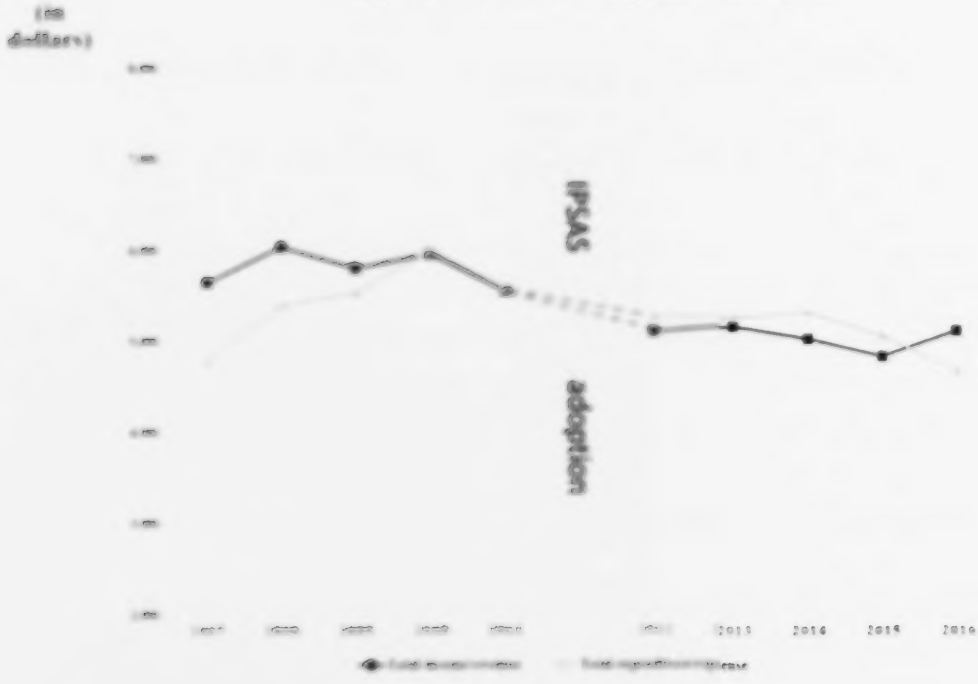
3. In accordance with Executive Board decision 2013/28, this report includes a comparative overview of actual 2016 utilization compared to the resource planning figures in the UNDP integrated budget, 2014-2017 (DP/2013/41), and the corresponding annex II. It also includes annexes III.A and III.B in the format of the UNDP integrated resources plan. Annex III.C provides the resources allocated to posts, by location.

II. UNDP overview

A. Revenue

4. In a challenging financial environment, total UNDP revenue increased by 6 per cent, to $5,103 million (2015: $4,820 million). Total expenses decreased by 6 per cent, to $4,660 million (2015: $5,057 million). UNDP continued to maintain a positive net asset position on the balance sheet, and a year-end core liquidity position above the minimum threshold requested by the Executive Board (see paragraph 48). Figure 1 illustrates the trend.

Figure 1. Revenue and expenses, 2007-2016



Note: IPSAS = International Public Sector Accounting Standards

5. Total revenue grew by 6 per cent, to $5,103 million (2015: $4,820 million). Table 1 shows the breakdown.

Table 1. UNDP revenue, 2016
(in millions of dollars)

Resources	2016	2015	*increase (decrease)*	*% change*
Revenue				
Contributions	4,866	4,486	380	8%
GLOC accounting linkage	(1)	(3)	2	(67%)
GLOC	43	43	-	0%
Contributions in kind	20	17	3	18%
Transfer of funds and refunds to funding partners	(143)	(70)	(73)	104%
Contributions, net	4,785	4,473	312	7%
Hedging	7	10	(3)	(30%)
Investments	53	41	12	29%
Other	461	522	(61)	(12%)
Total revenue before elimination	5,306	5,046	260	5%
Elimination	(203)	(226)	23	(10%)
Total revenue after elimination	5,103	4,820	283	6%

6. Table 2a presents the total UNDP contributions of $4,866 million, which increased by 8 per cent (2015: $4,486 million). This includes contributions receivable from partners of $106 million (2015: $59 million). UNDP was funded 13 per cent from regular resources and 87 per cent from other resources (2015: 16 per cent and 84 per cent, respectively), a trend that continues in 2016.

Table 2a. UNDP contributions by funding partners, 2016
(in millions of dollars)

Year	Donor country governments	Programme country governments	Multilateral partners	Total
2016	2,092	996	1,778	4,866
2015	2,016	924	1,546	4,486
Increase/(decrease)	76	72	232	380
% change	4%	8%	15%	8%

7. Of total contributions, $2,092 million came from donor country governments, representing 43 per cent (2015: 45 per cent); $996 million came from programme country governments – primarily in support of their national development – representing 20 per cent (2015: 21 per cent); and $1,778 million came from multilateral partners, representing 37 per cent (2015: 34 per cent). UNDP remains committed to further diversifying the funding base across and beyond governments.

Table 2b. UNDP contributions by resource type, 2016
(in millions of dollars)

Resources	2016			2015		
	Regular resources	Other resources	Total	Regular resources	Other resources	Total
Revenue						
Contributions	618	4,248	4,866	704	3,782	4,486
less: GLOC* Accounting linkage	(1)	-	(1)	(3)	-	(3)
GLOC contributions	28	15	43	31	12	43
Contributions in-kind & other	19	1	20	17	-	17
Transfer of funds & refunds to donors	-	(143)	(143)	(3)	(67)	(70)
Contributions, net	664	4,121	4,785	746	3,727	4,473

*GLOC - Government contributions to local office costs

8. Total contributions to regular resources fell by 12 per cent, to $618 million (2015: $704 million). Government cash contributions to local office costs decreased by 10 per cent to $28 million (2015: $31 million). Total in-kind contributions from donors reached $19 million (2015: $17 million).

9. While UNDP has responded to the reductions with institutional efficiency and economy measures, regular resources remain vulnerable to volume reductions and exchange rate fluctuations. UNDP continues to adapt to fluctuations in funding, although further reductions in regular resources jeopardize its ability to achieve planned strategic results.

10. Total other resources contributions increased by 12 per cent, from $3,782 million in 2015 to $4,248 million, including $106 million in receivable income. The details of other resources are reported in chapters IV (cost sharing), V (trust funds) and VI (reimbursable support services and miscellaneous activities).

11. Other resources contributions are 'earmarked' for individual programmes or projects and are important complements to the 'un-earmarked' regular resource base of UNDP. UNDP is committed to working with Member States to improve the flexibility of other resources funding.

Investment revenue

12. Total investment revenue increased by 29 per cent, to $53 million (2015: $41 million, consisting of $16 million in regular resources (2015: $12 million); $22 million in cost sharing (2015: 17 million); $9 million in trust funds (2015: $7 million); and $6 million in reimbursable support services and miscellaneous activities (2015: $5 million). The rate of return on the investment portfolio exceeded the three-month London Inter-Bank Offered Rate benchmark throughout 2016.

B. Expenses

13. Total expenses decreased by 8 per cent, to $4,660 million (2015: $5,057 million). Eighty-three per cent (2015: 84 per cent) was spent on development activities, including development effectiveness; 3 per cent (2015: 3 per cent) on United Nations development coordination activities; 7 per cent (2015: 7 per cent) on management activities; 2 per cent (2015: 1 per cent) on special-purpose activities; and 5 per cent (2015: 5 per cent) on other activities.

14. Management expense comprises $109 million (2015: $148 million) for regular resources and $252 million (2015: 238 million) for other resources, including prior year accumulated cost recovery resource balances, due to the reduced level of core resources available to fund management expenses.

15. UNDP is the steward of the resident coordinator system that leads the strategic planning and coordination of United Nations country teams. Total expenses on United Nations development coordination activities increased by 1 per cent, from $128 million in 2015 to $129 million in 2016.

Table 3a. UNDP overall expenses, 2016
(in millions of dollars)

Resources	2016	2015	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	3,878	4,238	(360)	(8%)
Development effectiveness	166	179	(13)	(7%)
Subtotal – development activities	4,044	4,417	(373)	(8%)
United Nations development coordination activities	129	128	1	1%
Management activities	361	386	(25)	(6%)
Special-purpose activities	71	64	7	11%
Other activities	258	288	(30)	(10%)
Total expenses before elimination	4,863	5,283	(420)	(8%)
Elimination	(203)	(226)	23	(10%)
Total expenses	4,660	5,057	(397)	(8%)

16. The total expenses of $4,863 million by resource type is shown in table 3b.

Table 3b. UNDP expenses, by resource type and cost classification, 2016
(in millions of dollars)

Resources	2016			2015		
	Regular resources	Other resources	Total	Regular resources	Other resources	Total
Expenses						
Development activities						
Programme	277	3,601	3,878	418	3,820	4,238
Development effectiveness	62	104	166	81	98	179
Subtotal – development activities	439	3,605	4,044	499	3,918	4,417
United Nations development coordination activities	93	36	129	94	34	128
Management activities	109	252	361	148	238	386
Special-purpose activities	11	60	71	16	48	64
Other activities	60	198	258	66	222	288
Total expenses before elimination	712	4,151	4,863	823	4,460	5,283

C. Accumulated surplus

17. The financial regulations and rules of UNDP require it to operate on a fully-funded basis for activities funded by other resources. In accordance with partnership agreements, all project balances are segregated for accounting and reporting purposes, with no commingling of balances between projects. Appropriate cash balances are held for settling current or future liabilities.

18. UNDP receives programmatic resources for multi-year programmes linked to individual programmes or projects. Hence, in any given year there is an excess of resources over expenditure. This excess of resources is referred to as the accumulated surplus, which consists mainly of resources committed for future programme delivery. As at 31 December 2016, the accumulated surplus, excluding reserves, increased by 12 per cent, to $4,381 million (2015: $3,929 million). This

resource comprises cost-sharing surpluses of $2,768 million, of which $825 million is cost sharing from programme country governments, third-party cost sharing ($1,694 million) from donor governments, and $249 million from the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), a vertical fund; $1,144 million from trust funds, consisting of $565 million from vertical funds (the Global Environment Facility (GEF), the Montreal Protocol and the Green Climate Fund), and $579 million from others; $380 million from reimbursable support services; and $89 million from regular resources.

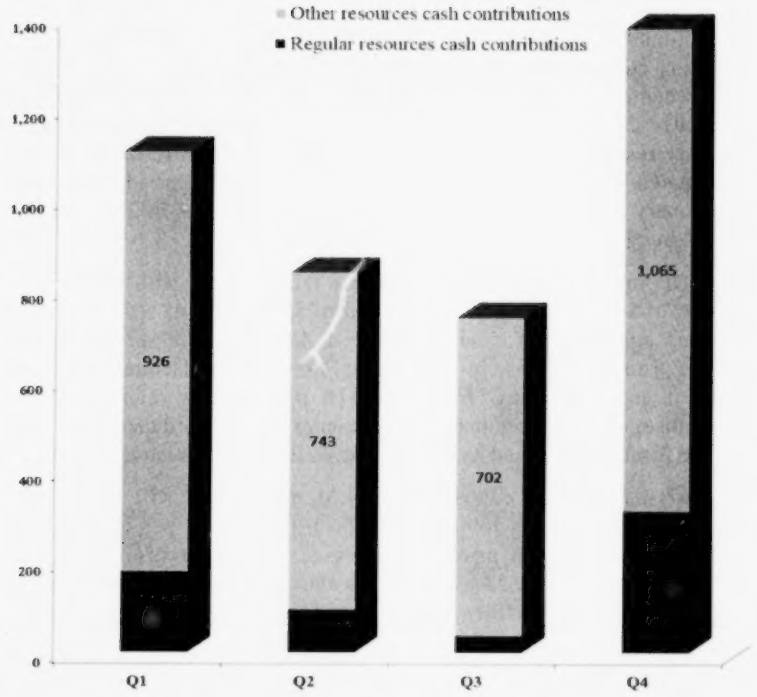
19. On the institutional budget, in 2016 UNDP made concerted efforts to reduce costs by $54 million compared to 2015, reflecting a reduction of the management ratio to an unprecedented 8.0 per cent in 2016, which is below the IRRF target of 8.1 per cent for 2014-2017. Nevertheless, in 2016, UNDP drew $71 million from past extra-budgetary reserves to fund the institutional budget costs resulting from a higher-than-anticipated pace of decline in core contributions. In addition, $33 million in transitionary measures were funded from core resources in 2016, in line with the integrated budget, 2014-2017.

20. In 2016, UNDP total expenses were below total revenue, with the overall surplus for the year of $443 million (2015: a deficit of $237 million) offset by a $27 million accounting adjustment for an unrealized loss to after-service health insurance, resulting from an increase in the actuarial assumption discount rate based on the independent actuarial study. A further $16 million was released to the accumulated surpluses from the operational reserve, in accordance with the operational reserve formula approved by the Executive Board in decision 1999/9.

21. Timely and early payments of contributions by Member States will aid delivery of development results. In 2016, a total of $1,376 million, or 34 per cent of total cash contributions for current and prior years (regular and other resources), was received in the last quarter (2015: 28 per cent), as shown in figure 2. Nonetheless, most of the accumulated surplus is fully programmed for delivery in future years.

22. UNDP continues to seek opportunities to accelerate the delivery of development results and further draw down its accumulated surplus, taking into account the revenue increase in 2016, the timing of the receipt of funds, the programme cycle, and the approved UNDP regulatory and governance framework.

Figure 2. Receipt of resources, by quarter, 2016
(in millions of dollars)

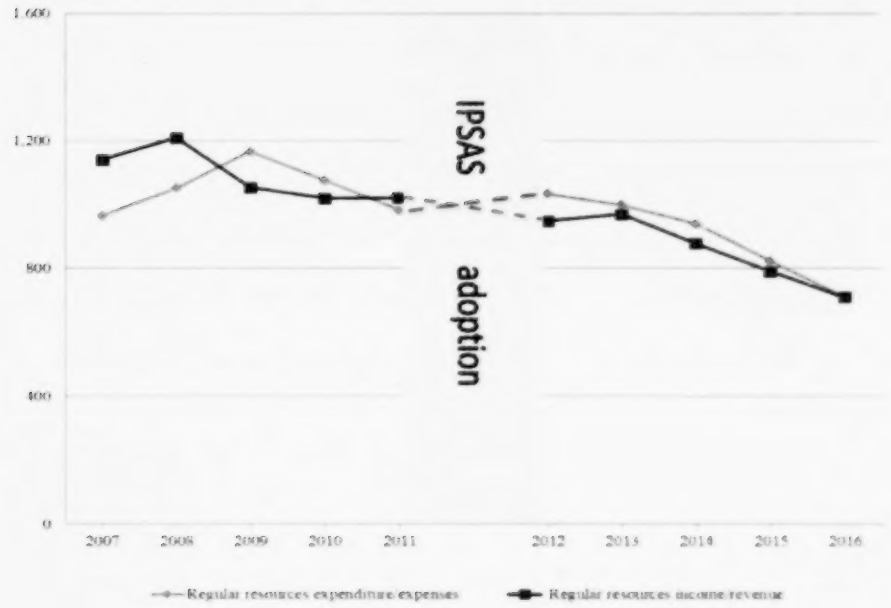


III. Regular resources

A. Revenue

23. Regular resources revenue, inclusive of contributions, investment interest revenue and other revenue, decreased by 10 per cent, to $710 million (2015: $791 million). Expenses decreased by 13 per cent, to $712 million (2015: $823 million). The small excess of expenses over revenue of $2 million (2015: $32 million) was funded from the accumulated surplus.

Figure 3. Regular resources revenue and expenses, 2007-2016
(in millions of dollars)



Note: IPSAS = International Public Sector Accounting Standards

Table 4. Regular resources revenue, 2015-2016
(in millions of dollars)

Regular resources	2016	2015	Increase/ (decrease)	% change
Revenue				
Contributions	618	704	(86)	(12%)
GLOC* accounting linkage	(1)	(3)	2	(67%)
GLOC	28	31	(3)	(10%)
Contributions in kind	19	17	2	12%
Transfer of funds & refunds to funding partners	-	(3)	3	-
Contributions, net	664	746	(82)	(11%)
Hedging	7	10	(3)	(30%)
Investments	16	12	4	33%
Other	23	23	-	-
Total revenue	710	791	(81)	(10%)

*GLOC = Government contributions to local office costs

Contributions

24. Contributions to regular resources decreased by 12 per cent ($86 million) from $704 million to $618 million. This decrease was partly attributable to foreign exchange effects (net reduction of $23 million, compensated by a $7 million benefit from the hedging programme).

25. Contributions from the top 10 partners amounted to $527 million, representing 85 per cent of total contributions of $618 million (2015: $586 million; 83 per cent of total contributions of $704 million). This comprised $603 million from donor country governments (2015: $681 million) and $15 million from programme country governments (2015: $23 million).

26. In addition to Sweden, the Netherlands, and Germany, as listed in table 5, Iceland, Italy, the Republic of Korea, and Saudi Arabia also increased their regular resources contributions in United States dollars or local currencies. The increased United States contribution includes the balance of amounts held back in previous years. Six programme country governments and one donor country resumed making contributions in 2016 after suspending them for one or more years.

27. Fifty-two Member States contributed to regular resources (2015: 51), including 23 programme countries (2015: 24). Details of contributions to regular resources by Member States are presented in table 4 of document DP/2017/30/Add.1.

Table 5. Regular resources contributions – top 10 partners, 2015-2016 (in millions of dollars)

Donor	Contributions in local currency (millions)			Contributions expressed as dollars (millions)		
	2016	2015	Per cent change	2016	2015	Per cent change
United States of America	83	75	11%	83	75	11%
Sweden	615	495	24%	72	59	22%
United Kingdom of Great Britain and Northern Ireland	55	55	-	69	83	(17%)
Norway	535	630	(15%)	64	81	(21%)
Japan *				60	67	(10%)
Switzerland	57	57	-	57	60	(5%)
Canada	40	40	-	32	33	(3%)
Netherlands	28	18	56%	32	20	60%
Denmark	210	330	(36%)	30	47	(36%)
Germany	25	22	14%	28	25	12%
Total for top 10 donors	N/A	N/A	N/A	***527***	***550***	(4%)
Others	N/A	N/A	N/A	***91***	***154***	(40%)
Total voluntary contributions				**618**	**704**	(12%)
Funds received in 2015 for 2014					(41)	
Adjusted contributions				**618**	**663**	(7%)
* Contributions pledged and received in dollars						

28. Declining regular resources pose a key challenge, constraining the ability of UNDP to ensure global development effectiveness and make strategic choices and investments. If regular resources further decrease, it will not be possible for UNDP to maintain the protections for the programme budget now in place. Reduced support for development effectiveness and management could also accentuate organizational risks due to adverse effects on institutional capacity for quality assurance, monitoring, accountability and oversight.

Government contributions to local office costs

29. Government contributions to local office costs are an important source of revenue and can be in the form of cash or in-kind donations. Against the 2016 target (cash and in kind) of $34 million, contributions of $18 million were received, consisting of cash contributions of $11 million and in-kind contributions of $7

million for premises, buildings and utilities. In addition, $17 million was received against arrears (2015: $14 million).

30. Tables 8(a), 8(b) and 8(c) in document DP/2017/30/Add.1 provide information on 2016 government cash contributions to local office costs in regular resources by countries in low and middle income categories, cumulative arrears to 2016, and contributions towards prior period arrears. Table 4, in the same document, shows government contributions to local office costs including contributions from net contributor countries and upper-middle income countries.

Hedging programme

31. The UNDP currency hedging programme generated a $7 million benefit by securing better exchange rates than the monthly United Nations rate on regular resources contributions, plus premiums earned on options transactions. UNDP continued the programme in 2016. Given continued volatility of exchange rates, a dynamic approach to hedging is being followed, based on market conditions and exposure of regular resources contributions.

Other revenue

32. Other revenue, mainly comprising miscellaneous revenue and exchange gains on assets, totalled $23 million (the same as 2015).

B. Expenses

33. Pursuant to Executive Board decision 2010/32, expenditures are reported in four harmonized cost-classification categories: (a) development; (b) United Nations development coordination; (c) management; and (d) special purpose. Expenditures outside those cost classifications are reported under 'other activities' and included as part of overall expenditure.

34. Regular resources expenses fell by 13 per cent, to $712 million (2015: $823 million), just $2 million above the level of revenue, by drawing on the accumulated surplus. UNDP also took measures to reduce expenses to achieve the minimum required liquidity level. While total expenses were reduced, programme components such as TRAC[1]-1, TRAC-3 and South-South cooperation were not affected. UNDP managed to protect United Nations development coordination activities and maintain the level of expense at almost the same level as 2015. UNDP also minimized the reductions in programme expenses of unprotected programme lines by focusing reductions on management expenditures. Regular resources expenses, by cost classification, are shown below.

Table 6. Regular resources expenses, by cost classification, 2015-2016 (in millions of dollars)

Regular resources	2016	2015	*Increase/ (decrease)*	*% change*
Expenses				
Development activities				
Programme	377	418	(41)	(10%)
Development effectiveness	62	81	(19)	(23%)
Subtotal development activities	439	499	(63)	(12%)
United Nations development coordination activities	93	94	(1)	(1%)
Management activities	109	148	(39)	(26%)

[1] Target for resources assignment from the core

Special-purpose activities	11	16	(5)	(31%)
Other	60	66	(6)	(9%)
Total expenses	712	823	(111)	(13%)

Development expenses

35. Development expenses decreased by 12 per cent, to $439 million (2015: $499 million). This is in line with the reduction in regular resources, given the volume of regular resources contributions received.

United Nations development coordination expenses

36. UNDP support to the resident coordinator system decreased, by 1 per cent, to $93 million (2015: $94 million), maintaining the support highlighted in the strategic plan and integrated budget, 2014-2017. Those expenses incorporate both financing the 'backbone' resident coordinator system structure at country, regional and global levels, and the UNDP share of supplemental costs as part of the system-wide cost sharing of the resident coordinator system.

Management expenses

37. Expenses were reduced by 26 per cent, to $109 million (2015: $148 million), in order to ensure that the programme component of the integrated budget did not bear the full reduction in revenue. Further details are presented in section C, below.

Special-purpose expenses

38. Expenses totalled $11 million (2015: $16 million). Major expenses are $9 million (2015: $10 million) related to the United Nations Volunteers programme (UNV), and $3 million related to UNCDF (2015: $4 million). The significant decline in core contributions required reprioritization of UNDP activities and affected expenses for UNV.

Other expenses

39. Other expenses totalled $60 million (2015: $66 million), of which $17 million (2015: $23 million) related to after-service health insurance, and $22 million (2015: $19 million) to currencies revaluation and exchange rate fluctuations.

40. UNDP participates in the United Nations system-wide valuation of post-retirement benefits, performed by an independent actuary. The latest valuation was carried out as at 31 December 2015. The after-service health insurance liability, valued at $1,035 million (2015: $954 million), was recorded as a UNDP liability in accordance with International Public Sector Accounting Standards. The $81 million (16 per cent) increase in liability is due primarily to a decrease in the actuarial assumption discount rate and rising medical claim costs.

41. UNDP has a 15-year plan to fund its after-service health insurance liability. Of the $1,035 million; $576 million had been funded as of 31 December 2016. The management of the portfolio has been outsourced to external professional investment managers to optimize the ability to fund these liabilities. Approximately half of the funds set aside have been transferred to the externally managed portfolios, with the remainder to be transferred over the next 12 months. UNDP, UNFPA, UNCDF, the United Nations Children's Fund and UN-Women collaborated to implement this arrangement.

C. Regular resources and integrated budget expenditure

42. For activities reported in 2016, UNDP operates within the integrated budget, 2014-2017, as approved by the Executive Board in decision 2013/28, for regular resources-financed activities: (a) programmatic components; and (b) institutional components.

43. Annex II compares the final approved budget, covering both programmatic and institutional components, with the actual expenditure amounts, calculated on the same basis as the corresponding budget for regular resources (modified accruals basis).

44. During 2016, significantly reduced levels of contributions to regular resources, exacerbated by the strengthening of the dollar, resulted in sharply reduced regular resources. UNDP took measures to reduce expenditures, affecting both programmatic and institutional components, but maintained the three-month liquidity requirement for regular resources mandated by the Executive Board.

45. Table 7 compares actual expenditures for 2015 and 2016. In 2016, 33 per cent of regular resources were spent on institutional costs, compared to 37 per cent in 2015. Thus, the share of regular resources for programmatic activities increased from 63 per cent in 2015 to 67 per cent in 2016. Moreover, within the reduced institutional budget, the proportion of management costs has decreased significantly from 42 to 38 per cent over these two years.

Table 7. Integrated budget expenditure, by cost classification category, 2015-2016 (in millions of dollars)

Regular resources	**2016 actual expenditures**		**2015 actual expenditures**	
Programmatic	67%	$415	63%	$451
Institutional	33%	$207	37%	$261
Total	100%	$622	100%	$712
Institutional	**2016 actual expenditures**		**2015 actual expenditures**	
Development Effectiveness	21%	$43	24%	$62
United Nations coordination	37%	$77	29%	$76
Management	38%	$78	42%	$110
Special-purpose	4%	$9	5%	$13
Total	100%	$207	100%	$261

46. Annex III.A presents the integrated resources plan that covers regular and other resources for the period 2014-2017 and compares the plan with 2014-2016 actuals. This comparison shows that:

(a) activities reported in 2014-2016 remain within the approved integrated resources plan;

(b) at the end of the period 2014-2016, UNDP had achieved the management ratio level of 8.1 per cent, targeted for the end of the period 2014-2017 (in 2012-2013: 8.7 per cent); and

(c) overall expenditure level of programmatic activities in 2014-2016 increased, reaching 88.2 per cent (in 2012-2013: 88.0 per cent).

47. Annex III.B presents 2014-2016 actuals versus estimates of the institutional components of the integrated resources plan by functional cluster, while annex III.C presents information on resources allocated to posts by location.

D. Accumulated surplus

48. The accumulated surplus at 31 December 2016 increased to $89 million (2015: $85 million), due mainly to $16 million that was released to the accumulated surplus from the operational reserve, in accordance with the operational reserve formula (Executive Board decision 1999/9). It was offset by a deficit of $2 million, an accounting adjustment of $11 million for an unrealized loss to after-service health insurance, and a $1 million accounting adjustment relating to investments.

49. In line with decision 1999/9, a prudent level of liquidity for regular resources is equivalent to three to six months' expenditures. UNDP maintained the year-end core liquidity position at 4.6 months of working capital, above the minimum threshold.

50. Based on the operational reserve formula approved in decision 1999/9 and on the final 2015 income and expenditure figures, the regular resources operational reserve was adjusted downwards, and $16 million was transferred back to the regular resources fund balance.

IV. Cost sharing

51. Cost sharing is a co-financing modality, with resources provided by donor governments, programme country governments and other partners.

A. Revenue

52. Cost-sharing total revenue increased by 19 per cent, to $3,101 million (2015: $2,599 million). The breakdown is shown below.

Table 8. Cost-sharing revenue, 2015-2016
(in millions of dollars)

Cost sharing	2016	2015	Increase/ (decrease)	% change
Revenue				
Contributions	3,191	2,634	557	21%
Transfer of funds and refunds to funding partners	(116)	(62)	(54)	87%
Contributions, net	3,075	2,572	503	20%
Investments	22	17	5	29%
Other	4	10	(6)	(60%)
Total revenue	3,101	2,599	502	19%

Contributions

53. Cost-sharing contributions grew by 21 per cent, to $3,191 million (2015: $2,634 million), due to increases by donor and programme country governments and multilateral partners. This comprises $3,088 million in contributions received and $103 million receivable.

Table 9. Cost-sharing contributions by funding partners, 2015-2016
(in millions of dollars)

Year	Donor country governments	Programme country governments	Multilateral partners	Total
2016	982	964	1,245	3,191
2015	773	887	974	2,634

Increase (decrease)	209	77	271	557
% change	27%	9%	28%	21%

Donor country governments

54. Contributions from donor country governments rose by 27 per cent, to $982 million, representing 31 per cent of cost-sharing contributions (2015: 29 per cent). Figure 4 shows contributions from the top 10 donor country governments, which totalled $883 million (2015: $685 million), 28 per cent of cost-sharing contributions.

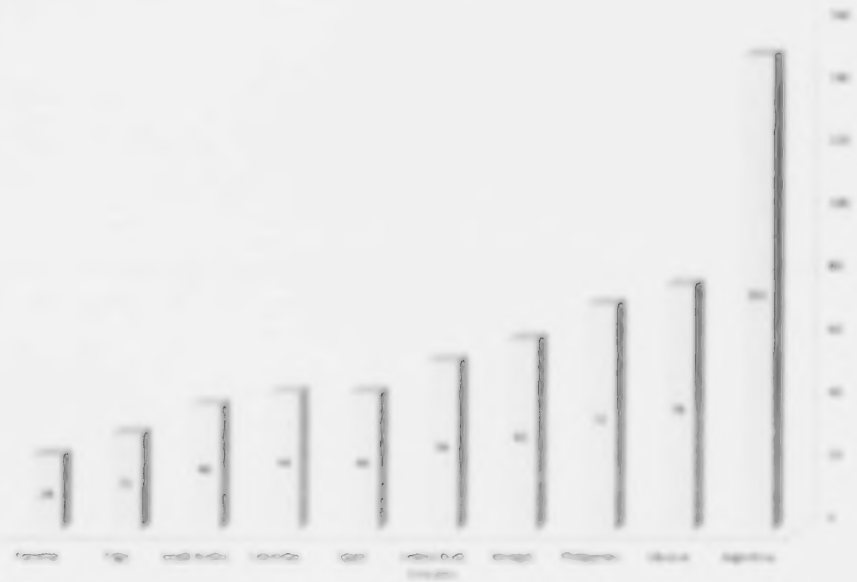
Figure 4. Cost-sharing contributions, top 10 donor country governments, 2016 (in millions of dollars)

Programme country governments

55. Contributions channelled through UNDP by programme country governments increased by 9 per cent, to $964 million (2015: $887 million), representing 30 per cent of cost-sharing contributions (2015: 34 per cent).

56. Of these, 62 per cent (2015: 66 per cent) came from Governments of 10 programme countries. Among these countries, Ukraine, the Philippines, Senegal, the United Arab Emirates, Colombia, Togo, and Panama increased their cost-sharing contributions in 2016. The largest contributions were received from the Governments of Argentina, the Philippines, Senegal, Ukraine, and the United Arab Emirates.

Figure 9. Cost-sharing contributions: top 10 programme country governments, 2016 (in millions of dollars)



57. Multilateral resources comprised funding from multilateral partners and multi-donor trust funds/joint programmes.

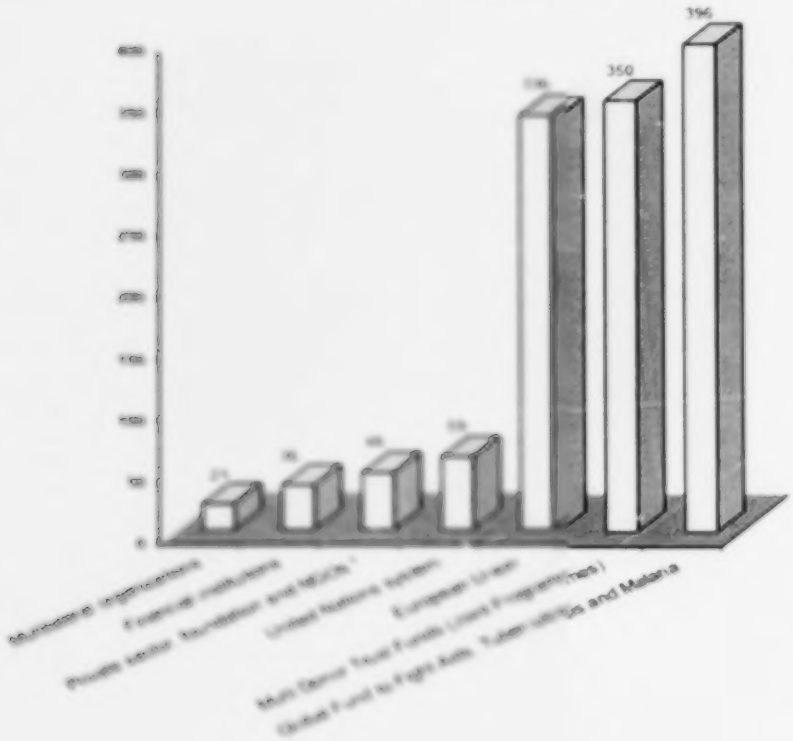
58. Contributions from multilateral resources rose to $1,245 million (2015: $974 million), representing 39 per cent (2015: 37 per cent) of cost-sharing contributions.

59. Contributions from the GEAFM amounted to $396 million (2015: $374 million), excluding $86 million received for later programming (2015: $104 million), which will be recognized as contributions in 2017. Contributions from the European Union also increased, to $336 million (2015: $216 million). Funds channelled through the Multi-Partner Trust Fund Office increased to $150 million (2015: $282 million).

60. Contributions from the private sector, foundations and non-governmental organizations decreased by 8 per cent, to $46 million (2015: $50 million). The Global Alliance for Vaccines and Immunization ($14 million), Education Above All-Al Fakhoora ($7 million), and the Paltel Group Foundation ($7 million) were the top contributors.

61. Total contributions from international and regional financial institutions increased by 35 per cent to $36 million (2015: $23 million), primarily representing contributions to UNDP for programming in country offices. The World Bank and the Islamic Development Bank were the top contributors, with contributions of $24 million and $12 million, respectively.

Figure 6. Cost-sharing contributions, multilateral partners, 2016
(in millions of dollars)



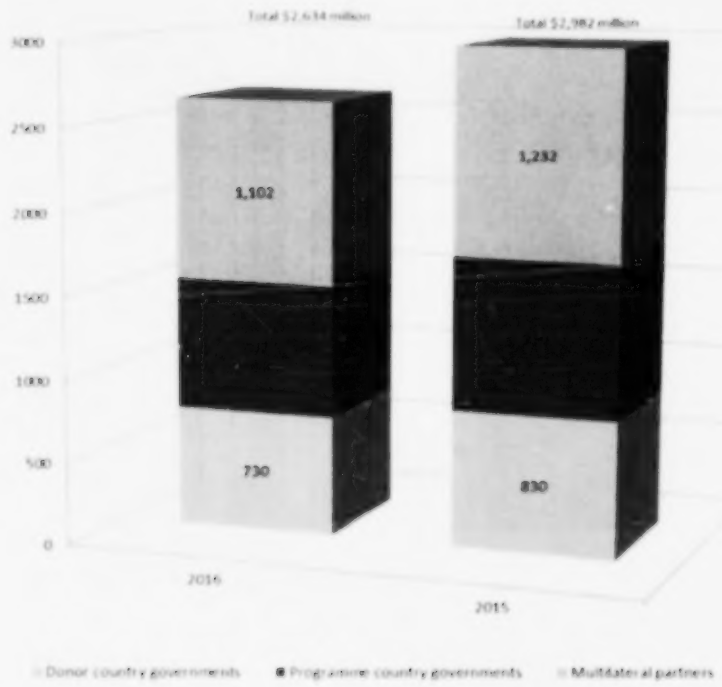
Other revenue

62 Other revenue totalled $4 million (2015: $10 million), which includes miscellaneous revenue such as income generated by projects, reimbursements for services and foreign exchange gains.

B. Expenses

63 Cost-sharing expenses, which are for development activities, decreased by 12 per cent, to $2,634 million (2015: $2,982 million), of which 28 per cent was funded by donor country governments, 30 per cent by programme country governments and 42 per cent by multilateral partners.

Figure 7. Breakdown of cost-sharing expenses, 2015-2016 (in millions of dollars)



C. Accumulated surplus

64. The accumulated cost-sharing surplus as at 31 December 2016 was $2,768 million (2015: $2,301 million), including $824 million of government cost sharing and $249 million of vertical funds. At the time of preparation of this report, 85 per cent of those cost-sharing resources have been programmed for delivery in future years.

V. Trust funds

65. A trust fund is a co-financing modality established as a separate accounting entity under which UNDP receives contributions to finance its programme activities; it is overseen by a trust fund manager.

A. Revenue

66. Trust fund revenue decreased by 8 per cent, to $970 million (2015: $1,060 million). The breakdown is shown below.

Table 10. Trust fund revenue, 2015-2016
(in millions of dollars)

Trust funds	2016	2015	Increase (decrease)	% change
Revenue				
Contributions	973	1,057	(84)	(8%)
Transfer of funds and refunds to donors	(16)	(5)	(11)	220%
Contributions, net	957	1,052	(95)	(9%)
Investment revenue	9	7	2	29%
Other revenue	4	1	3	300%
Total revenue	970	1,060	(90)	(8%)

Contributions

67. Contributions dropped to $973 million (2015: $1,057 million), including $215 thousand receivable. The decrease is mainly in the GEF, the Law and Order Trust Fund for Afghanistan (LOTFA), and the Thematic Trust Fund for Crisis Prevention and Recovery.

Table 11. Trust fund contributions by funding partner source, 2015-2016
(in millions of dollars)

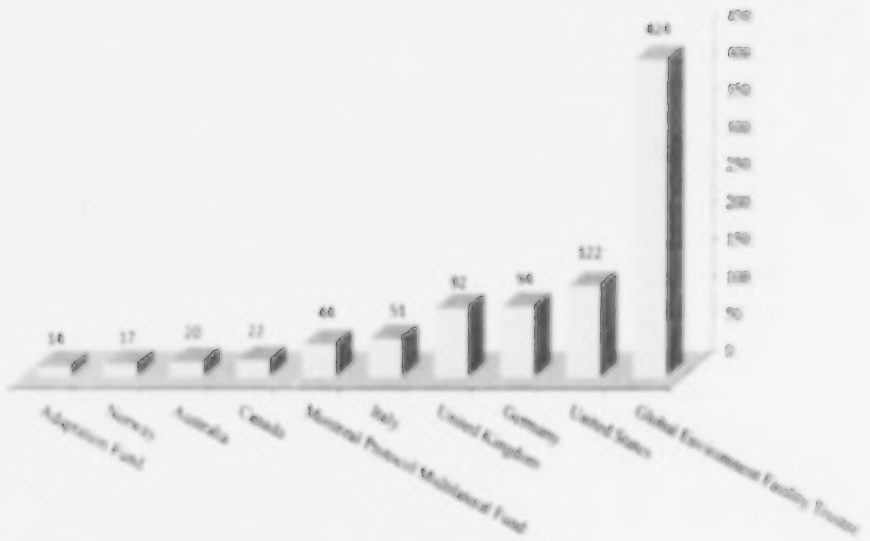
Year	Donor country governments	Programme country governments	Multilateral partners	Total
2016	470	4	499	973
2015	522	8	527	1,057
Increase (decrease)	(52)	(4)	(28)	(84)
% change	(10%)	(50%)	(5%)	(8%)

68. Figure 8 presents the top 10 contributions by bilateral governments and multilateral partners to trust funds, which totalled $900 million (2015: $970 million) representing 92 per cent of total trust funds contributions. Of this, $375 million was for LOTFA and a total of $28 million for the funding windows.

69. In March 2016, UNDP launched new funding windows that provide pooled, flexible funding mechanisms to support country-level efforts in achieving the sustainable development goals. Total contributions reached $37 million ($19 million for climate change and disaster risk reduction; $13 million for governance for peaceful and inclusive societies; $4 million for emergency development response to crisis and recovery; and $1 million for sustainable development and poverty eradication).

Figure 8. Trust fund contributions, top 10 partners, 2016

(in millions of dollars)



70. Contributions to trust funds from programme country Governments totalled $4 million (2015: $8 million). Top contributors were China ($2 million for the Trust Fund for the Promotion of South-South Cooperation); South Africa ($1 million for the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation); and India ($1 million for the Facility).

Other revenue

71. Other revenue, of $4 million (2015: $1 million), consisted of miscellaneous income and gains from foreign exchange rate fluctuations.

B. Expenses

72. Trust fund expenses increased by 4 per cent to $855 million (2015: $823 million), due mainly to an increase of $72 million for LOTFA offset by expense reductions in other trust funds.

Table 12. Trust fund expenses, by cost classification, 2015-2016
(in millions of dollars)

Trust funds	2016	2015	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	819	779	40	5%
Development effectiveness	36	44	(8)	(18%)
Subtotal – development activities	855	823	32	4%
Management activities	-	-	-	
Total expenses	855	823	32	4%

Development expenses

73. Development activities comprised $819 million for programme activities and $36 million for development effectiveness activities, as follows: development expenses of the GEF, $352 million (41 per cent); of LOTFA, $319 million (37 per cent); and of thematic trust funds, $60 million (7 per cent), including $34 million for the Thematic Trust Fund for Crisis Prevention and Recovery, $14 million for the Thematic Trust Fund for Environment and $7 million for the Democratic Governance Thematic Trust Fund.

74. Development effectiveness expenses represent those of policy/advisory, technical and implementation activities needed to achieve programme and project objectives in UNDP areas of focus for the GEF and the Multilateral Fund for the Implementation of the Montreal Protocol. Management expenses related to overall non-core trust fund activities are reported under reimbursable support services.

C. Accumulated surplus

75. Trust funds reported a surplus of $115 million. The accumulated surplus at the end of 2016 rose to $1,144 million (2015: $1,029 million), including $565 million (49 per cent) for vertical funds. At the time of preparation of this report, 88 per cent of all available trust fund resources had been programmed for delivery in future years.

VI. Reimbursable support services and miscellaneous activities

76. Reimbursable support services and miscellaneous activities represent resources from provision of management and other support services to third parties, and include, primarily, the following activities: the Junior Professional Officer programme; UNV; management service agreements; special activities; and cost recovery.

A. Revenue

77. Revenue dropped by 12 per cent, to $525 million.

Table 13. Reimbursable support services and miscellaneous activities revenue, 2015-2016

(in millions of dollars)

Reimbursable support services and miscellaneous activities	2016	2015	Increase/ (decrease)	% change
Revenue				
Contributions	84	91	(7)	(8%)
Net contributor country contributions to local office costs	15	12	3	25%
Contributions in-kind and other	1		1	-
Transfer of funds and refunds to donors	(11)		(11)	-
Contributions, net	89	103	(14)	(14%)
Investment revenue	6	5	1	20%
Other revenue	430	488	(58)	(12%)
Total revenue before elimination	525	596	(71)	(12%)

Contributions

78. The contributions of $84 million are shown in table 14 below. The contributions for special activities contain $24 million for United Nations development coordination inclusive of $20 million from United Nations Development Group (UNDG) member organizations, $4 million for UNDP support to security, $3 million for the Engagement Facility fund and $3 million for other special activities.

Table 14. Reimbursable support services and miscellaneous activities contributions, 2016 (in millions of dollars)

	Donor resources			Total resources
	Donor country governments	Programme country governments	Multilateral partners	
Resources:				
JPO programme	17	1	-	18
UNV programme	13	-	1	14
Management service agreements	-	11	-	11
Special activities	7	1	26	34
Reimbursable support services	-	-	7	7
Total	**37**	**13**	**34**	**84**

79. Net contributor and upper-middle income programme country governments contributed $16 million to local office costs: 50 per cent in the Arab States region; 25 per cent in the Latin America and the Caribbean region; 12 per cent in the Asia and the Pacific region; and 13 per cent in the Europe and the Commonwealth of Independent States region.

Other revenue

80. Other revenue decreased by 12 per cent, to $430 million (2015: $488 million). Further details of cost-recovery revenue are presented in paragraphs 87-88.

B. Expenses

81. Expenses increased by 1 per cent, to $662 million (2015: $655 million).

Table 15. Reimbursable support services and miscellaneous activities, expenses by cost classification, 2015-2016 (in millions of dollars)

Reimbursable support services and miscellaneous activities	2016	2015	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	48	59	(11)	(19%)
Development effectiveness	68	54	14	26%
Subtotal – development activities	116	113	3	3%
United Nations development coordination activities	36	34	2	6%
Management activities	252	238	14	6%
Special purpose activities	60	48	12	25%
Other activities	198	222	(24)	(11%)
Total expenses before elimination	662	655	7	1%

Development expenses

82. Development expenses totalled $116 million (2015: $113 million), consisting of $48 million for programme activities and $68 million for development effectiveness.

83. Programme expenses comprised $7 million for management service agreements (2015: 19 million), $30 million for the UNV programme (2015: $32 million) and $11 million for special activities (2015: $8 million).

United Nations development coordination expenses

84. Support to United Nations development coordination activities reached $36 million (2015: $34 million). That included expenses of $14 million utilizing donor resources earmarked for country coordination, and $22 million in resources from UNDG member organizations in support to the resident coordinator function.

Management expenses

85. Management activities increased by 6 per cent. to $252 million (2015: $238 million), utilizing cost-recovery resources, due to better attribution of management costs between regular and other resources, and the utilization of prior year accumulated cost recovery resource balances due to the reduced level of core resources available to fund management expenses.

Special-purpose expenses

86. Special-purpose expenses totalled $60 million (2015: $48 million), representing expenses on reimbursable support service activities.

Other expenses

87. Other expenses totalled $198 million (2015: $222 million). Of this, $91 million was related to staff security on behalf of the United Nations system (funded by the United Nations Department of Safety and Security); $17 million to the JPO programme; $43 million to the UNDP share of common service activities; and $24 million to after-service health insurance.

C. Cost recovery

Cost-recovery policy

88. UNDP makes every effort to recover the general management and implementation costs associated with the delivery of other resources-funded programmes and projects and with United Nations entities.

89. Cost-recovery revenue was $346 million (2015: $352 million), and expenses were $427 million. Table 16 shows the breakdown.

Table 16. Cost recovery, 2016
(in millions of dollars)

Cost recovery	Programme and projects	Reimbursable support services	Total
Revenue			
General management/implementation support services	225		225
United Nations organizations – reimbursable services	19	42	61
Administrative agent fees	8		8
Net contributor country contributions to fund local office costs	15		15
Interest	6		6
Other	30		30
Total revenue	**303**	**42**	**346**
Expenditure			
Total expenditure	**377**	**50**	**427**

90. Following demands from funding partners, 12 general management support fee waivers were granted in 2016 (DP/2017/30, annex 2). UNDP makes every effort to attain full compliance with the cost-recovery rate and seeks to further reduce the number of waivers.

D. Accumulated surplus

91. The accumulated surplus at the end of 2016 declined by 26 per cent, to $380 million (2015: $514 million). The decline was due primarily to a deficit of $137 million drawn upon the accumulated surplus from previous years, offset by $3 million in accounting adjustments.

E. Others

92. Management service agreement revenue totalled $11 million (2015: $5 million), consisting of $11 million in contributions (2015: $7 million); refunds to donors of $2 million (2015: $2 million); and other revenue of $2 million. Total expenses registered $7 million (2015: $19 million), and the accumulated surplus at the end of 2016 was $48 million (2015: $44 million). See further details in DP/2017/30/Add.1.

United Nations Volunteers programme

93. In 2016, 6,796 United Nations Volunteers (UNV) from 153 countries supported partner United Nations entities in their peace and development activities through 7,053 assignments. The financial value of UNV operations amounted to $203 million (2015: $201 million) including support by UNDP regular resources of $8.5 million (2015: $9.8 million). Of this, programme regular resources expenses made directly by the UNV programme through the Special Voluntary Fund, cost sharing, trust funds and full funding arrangements, totalled $18.3 million (9 per cent). The remaining financial value is attributable to direct charges to United Nations organizations.

94. Contributions to the Special Voluntary Fund increased by 6 per cent, from $3.7 million in 2015 to $3.9 million in 2016, reflecting the historical fluctuations of annual contributions to the fund. Given the critical role of resources from the Fund, the UNV programme is continuously seeking to increase contributions to enable it

to further explore, expand and strengthen the role of volunteerism and its contributions to development.

95. Contributions (including multi-year contributions) received for fully funded UNVs, including contributions for fully funded United Nations Youth and University Volunteers, decreased by 15.2 per cent, from $7.2 million in 2015 to $6.1 million in 2016. UNV continued to diversify its funding sources through various partnership initiatives, including South-South cooperation. Capitalizing on the successful 2014 Partnerships Forum, a second UNV partnerships forum was organized in 2016, convening partners from both the North and the South, revitalizing existing partnerships and brokering new ones.

96. On regular resources for institutional activities, UNV received funding through UNDP regular resources, consisting of $8.8 million in 2017, a 5 per cent increase from $8.4 million in 2016. However, over the past five years the trend has shown an average year-to-year decrease of 9 per cent. To mitigate the decline, UNV is focusing on volunteer mobilization and prudent financial management. UNV notes, however, that it needs a stable and predictable level of regular resources to fulfil its mandate and provide high-quality volunteers to UNDP and other United Nations specialized agencies, funds and programmes.

Junior Professional Officers programme

97. Twenty-seven governments have agreements for the provision of JPOs and five have agreements for the provision of special assistants to resident coordinators. At 31 December 2016, UNDP administered 226 JPOs, 84 of whom were working with UNDP and affiliated funds and programmes, and 26 special assistants.

98. In 2016, total contributions were $18 million, while expenses, including support costs, were $17 million. The accumulated surplus at the end of 2016 was $17 million. UNDP received $20 million from United Nations organizations and partners to administer 142 JPOs on their behalf, and $18.5 million was delivered, including support costs.

Sector budget support

99. In its decision 2008/24, the Executive Board endorsed a pilot allowing financial contributions to pooled funding and sector budget support, on a case-by-case basis and at the request of the recipient country, in accordance with the mandate of UNDP and in line with DP/2008/36, DP/2008/36/Corr.1 and DP/2008/36/Corr.2.

100. In Burkina Faso, UNDP provides resources in two pooled-fund projects, on HIV/AIDS and human rights promotion. UNDP involvement in sector budget support in Burkina Faso started in 2008 as a four-year pilot that was twice extended for two years, with the second extension ending in January 2017. Over the period 2009-2015, UNDP participation in these common baskets amounted to $100,000 annually from regular resources and $3.3 million from other resources (Government of Luxembourg).

101. The Government of Nepal has adopted a single sector-wide approach for local governance development work at both central and local levels, and has employed a joint financing arrangement to pool resources and finances on local governance-related initiatives, projects and activities. UNDP signed the arrangement on 8 July 2014 to support the second Local Governance and Community Development Programme through sector budget support, and disbursed $200,000 in 2015 to be used exclusively for the programme.

VII. United Nations reform and support to United Nations organizations

102. UNDP coordinates the United Nations system at the country level and plays a vital role in fostering development coherence. Available data indicate that the value of joint programmes, fund flows to multi-donor trust funds, and support to United Nations organizations totalled $1,532 million (2015: $1,389 million).

A. UNDP administrative agent function

103. UNDP supports joint programming through its role in fund design and administration of joint programmes and multi-donor trust funds on behalf of the United Nations system and national governments, and through its programme implementation role as a participating United Nations organization. Contributions received for multi-donor trust funds increased slightly to $697 million (2015: $691 million), even though overall contributions were negatively affected by exchange rate movements. The growth can be attributed largely to climate change and humanitarian portfolios, and to the strong performance of a group of funds that pivot flexibly to meet needs across the humanitarian-development-peace nexus. The net value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was $748 million (2015: $764 million), including $340 million transferred to UNDP for UNDP programmes (2015: $292 million).

B. Support to United Nations organizations

104. UNDP provides services, on a cost-recovery basis, to United Nations organizations, including peacekeeping missions. The value of funds received from those organizations in 2016 totalled $835 million (2015: $698 million).

C. United Nations development coordination activities

105. UNDP plays significant roles in United Nations system coordination and country-level coordination in support of national development. Combined expenses totalled $129 million ($93 million from regular resources and $36 million from reimbursable support services and miscellaneous activities).

D. United Nations-mandated security costs

106. In its decision 2013/28 on the UNDP integrated budget, the Executive Board decided, in continuance of existing arrangements, to grant the Administrator exceptional authority, during 2014-2017, in addition to the approved appropriation from regular resources for the institutional component of the integrated budget of $1,510.4 million, to access up to $30 million in regular resources for security measures. During 2014-2016, $5 million was drawn to respond to the outbreak of Ebola virus disease in West Africa.

107. The $30 million forms part of a total estimated requirement of $65.3 million in 2015-2016. UNDP spent $30.8 million (2015: $34.5 million), including $25.4 million in other resources (2015: $26.9million). Of the $30.8 million expensed, $20.5 million (2015: $22.3 million) was associated with the UNDP share of the United Nations field security coordination programme; and $10.3 million (2015: $12.2 million) with security assessments and compliance, improvement of premises security, blast and seismic assessments, and office relocations.

VIII. 'Greening' UNDP

108. In 2016, UNDP continued to demonstrate its commitment to internal environmental sustainability and continued to implement the 2015 Executive Group-adopted 'Sustainability and Climate Neutrality Plan for Global UNDP Operations'.

109. UNDP reported its seventh global annual greenhouse gas inventory, including data from over 70 UNDP offices, and continued to track and disclose its environmental performance as part of the annual 'Greening the Blue' report. Work commenced on developing a comprehensive web-based environmental reporting and management tool to replace manual data collection and processing. The tool is expected to be launched by the end of the third quarter of 2017.

110. UNDP continued to implement measures to reduce its environmental footprint while increasing operational resilience, efficiency and security. Over 20 UNDP offices have installed or are in the process of installing photovoltaic electricity systems to reduce greenhouse gas emissions, reduce dependency on fossil fuels and improve office energy security.

111. In 2016, UNDP continued to be climate neutral in its global operations, receiving Certified Emission Reductions from the Adaptation Fund.

112. Following the success of the six-month sustainable procurement pilot study, where UNDP managed over 50 tenders in 11 countries using sustainable procurement criteria, the organization is mainstreaming these criteria into the institutional bidding documents and will be rolling them out in 2017, thus institutionalizing sustainable procurement globally.

IX. Funds administered by UNDP

United Nations Capital Development Fund

113. In 2016, UNCDF operated in 30 of the 48 least developed countries, leveraging its capital mandate to help them pursue inclusive growth.

114. UNCDF net contributions totalled $52 million, down from $58 million in 2015. The diversification of UNCDF donors remained high, with 35 development partners contributing in 2016 (compared to 37 in 2015). Contributions in 2016 included $19.7 million from private sector foundations, corporations and non-governmental organizations, representing 37 per cent of total revenue. The top overall donors to UNCDF were the Bill and Melinda Gates Foundation, the United Nations Multi-Partner Trust Fund, the MasterCard Foundation, Sweden, Switzerland, the United States of America, the European Union, Belgium, and Luxembourg. In 2016, contributions to UNCDF regular resources from donors decreased to $10 million (2015: $12 million). As a result, regular resources contributions remained below the $25 million per year required to sustain UNCDF operations in 40 of the 48 least developed countries as envisaged in the UNCDF strategic framework, 2014-2017.

115. Expenses for development activities, before elimination, totalled $63 million, including programme expenses of $60 million and development effectiveness expenses of $3 million. UNCDF disbursed $20 million in grants, as reflected in expenses. The operational reserve for UNCDF regular and other resources was $14 million. With effective management of available resources, UNCDF was able to deliver its planned development, management and financial results while sustaining its liquidity. See details of the above in annex V and DP/2017/30/Add.1, table 12.

116. The $63 million expenses excludes $2.7 million in the UNDP institutional budget and $0.8 million of UNDP programme support that were set aside for UNCDF management and technical expenditures, respectively. The amounts were expended by UNCDF but were recorded and reported separately by UNDP.

Executive Board of the United Nations Development Programme, the United Nations Population Fund, and the United Nations Office for Project Services

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Structured funding dialogue

Status of regular resources funding commitments to the United Nations Development Programme and its associated funds and programmes for 2017 and onward

Summary

This report presents the status of regular and other resources funding commitments for 2017 and onward, as well as a summary of the contributions to regular and other resources received in 2016 for UNDP, the United Nations Capital Development Fund and the United Nations Volunteers programme. In response to Executive Board decisions 2015/16 and 2016/16, the report presents UNDP's efforts to broaden its donor base and attract new sources of funding, including through new approaches to resource mobilization.

In 2016, total contributions to UNDP increased by 8 per cent, to $4.866 billion, from $4.486 billion in 2015. Contributions to regular resources, however, decreased by 12 per cent, to $618 million, from $704 million in 2015. Fifty-three partners contributed to regular resources in 2016, two more than the 51 in 2015, including first-time contributor Japan Innovation Network, a non-governmental partner. Other resources contributions increased by 12 per cent, to $4.248 billion, from $3.782 billion in 2015. The ratio of regular to other resources was 13:87 in 2016, compared to 16:84 in 2015.

As of June 2017, UNDP has received $209 million, or 48 per cent of the regular resources projected for 2017. Subject to confirmation by some Member States and exchange rate fluctuations, 2017 regular resources are projected at approximately $600 million, a decrease of $18 million from the 2016 level, and the fourth consecutive year of declining regular resources. A continued downward trend in regular resources will further constrain the ability of UNDP to ensure global development effectiveness and make forward-looking, strategic choices and investments.

Elements of a decision

The Executive Board may wish to:

(a) take note of documents DP/2017/30 and Add.1 and DP/2017/31;

(b) note the importance of regular resources, which remain the bedrock of UNDP support to programme countries, particularly the poorest and most vulnerable, and to the coherence and effectiveness of the United Nations development system;

(c) urge Member States to prioritize regular and flexible other resources such as the new funding windows, given that further reductions in regular resources risk jeopardizing UNDP's ability to achieve planned strategic results.

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(d) recall the importance of funding predictability, timeliness of payments and adherence to multi-year pledges to avoid liquidity constraints in regular resources;

(e) urge Member States that have not yet done so to contribute to regular resources for 2017, and encourage those that have not contributed to regular resources in the past to consider doing so;

(f) recall decision 2013/30 and urge all programme countries to meet their obligations with respect to government local office costs;

(g) urge Member States to adhere to multi-year pledges and payment schedules; and

(h) urge Member States to continue their dialogue with UNDP on shifting from highly earmarked to regular resources or less restricted earmarked other resources.

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I. Introduction

1. As prescribed by Executive Board decision 98/23, this report presents the status of regular resources funding commitments for 2017, as well as a summary of contributions to regular and other resources received in 2016.

2. In its decisions 2015/16 and 2016/16, the Executive Board noted with serious concern the continuing decline in contributions to regular resources and the increasing imbalance between regular and other resources, emphasizing that regular resources are essential for maintaining the multilateral, neutral and universal nature of the UNDP mandate. The Board encouraged UNDP to further mobilize regular and other resources to respond to the needs of all programme countries, particularly the poorest and most vulnerable. The Board requested UNDP to explore incentives and mechanisms to broaden the donor base and encourage donors to prioritize regular resources contributions and shift to less restricted other resources aligned to the Strategic Plan.

3. This report provides an overview of funding trends from 2012 to 2016, the status of contributions received in 2016 and the status of regular resources funding commitments for 2017 and onward. It also covers actions taken by UNDP to maintain the level of regular resources and reverse their downward trend; shift from highly earmarked to less earmarked other resources; and broaden the donor base.

4. Finally, the report provides information on the status of funding for the United Nations Capital Development Programme (UNCDF) and United Nations Volunteers programme (UNV).

II. Overall resource trends and update on 2016 performance

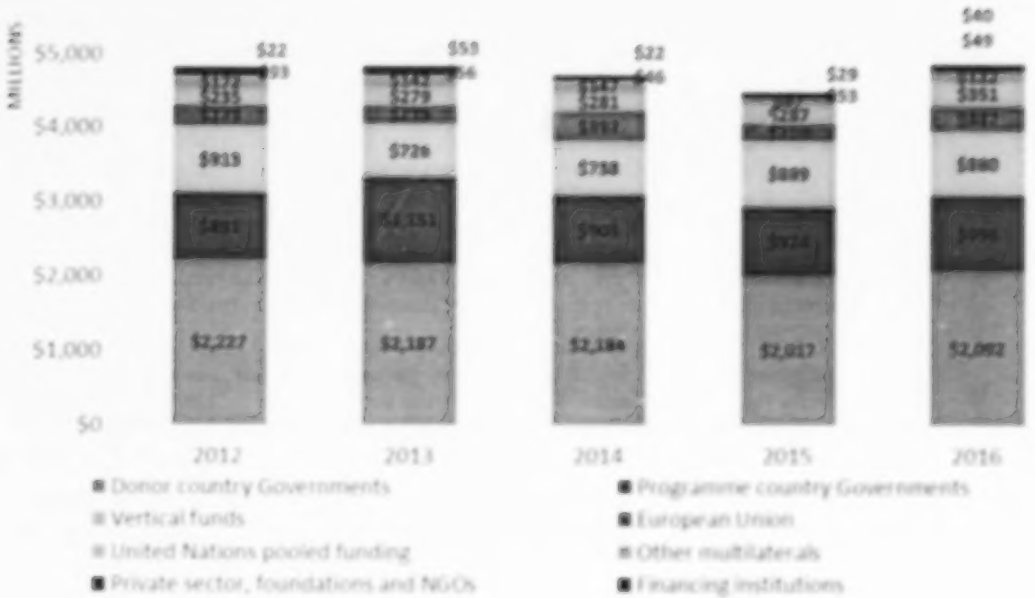
A. Total contributions to UNDP

5. Total contributions amounted to $4.866 billion in 2016, compared to $4.486 billion in 2015, representing an increase of 8 per cent. In 2016, the ratio of regular to other resources moved to 13:87 from 16:84 in 2015.

6. UNDP remains a multi-funded organization, with resources mobilized from a broad range of partners. From 2012 to 2015, total contributions declined from $4.82 billion to $4.48 billion, but rebounded to $4.87 billion in 2016. Over the same period, the sources of funding as a share of total funding have been shifting.

7. Of total contributions received in 2016, 43 per cent were funded by donor country Governments (down from 46 per cent in 2012); 20 per cent by programme country Governments (up from 18 per cent in 2012); 18 per cent by vertical funds (down from 19 per cent in 2012); 7 per cent by United Nations pooled funding (up from 5 per cent in 2012); 7 per cent by the European Union (up from 6 per cent in 2012); and 5 per cent by the private sector, foundations, financial institutions, non-governmental organizations (NGOs) and other multilateral organizations combined (down from 6 per cent in 2012). Figure 1 below shows the overall resource trend by funding sources.

Figure 1. Overall resource trend by funding sources, 2012-2016
(In millions of United States dollars)



B. Contributions to UNDP regular resources

8. Numerous decisions of the Executive Board[1] stress the importance of regular resources to UNDP, as they remain the bedrock of the organization and constitute a pillar of support to the poorest countries. The ability of UNDP to support countries' implementation of the 2030 Agenda for Sustainable Development and the Strategic Plan depends on a sustainable funding base.

9. Regular resources allow UNDP to invest in systems of accountability, transparency and quality assurance – including oversight functions such as audit, investigation and evaluation – and coordination of the United Nations development system. Declining regular resources constrain the ability of UNDP to ensure global development effectiveness and make forward-looking, strategic choices and investments. The Executive Board has expressed concern about the negative effects of decreased funding, particularly on the capacity of UNDP for programmatic activities, development effectiveness and provision of technical advisory services to country offices.

10. Since 2013, contributions to regular resources have been declining, on average, by 11 per cent or $92 million annually. In 2016, contributions decreased by 12 per cent, to $618 million – from $704 million in 2015 – due to reduced contributions and foreign exchange effects (net reduction of $23 million, compensated by a $7 million benefit from the hedging programme). Government cash contributions to local office costs decreased by 10 per cent to $28 million (2015: $31 million). Total in-kind contributions from donors reached $19 million (2015: $17 million).

11. In 2016, UNDP received regular resources contributions from 52 Member States, and the Japan Innovation Network, a first-time non-governmental contributor. UNDP

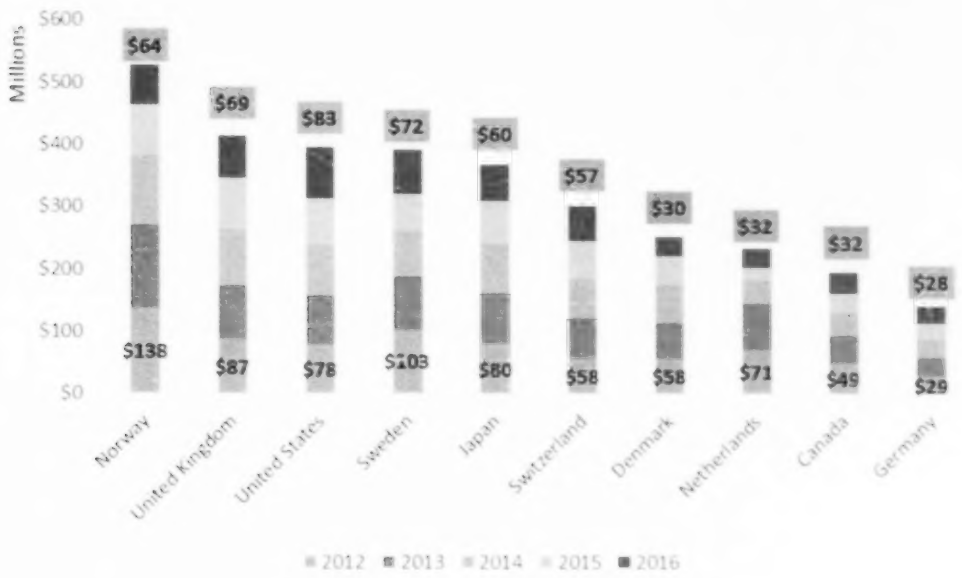
[1] Decisions 98/23 and 99/1 and 23, reaffirmed in decisions 2002/9 and 2002/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17, 2008/36, 2009/10, 2010/14, 2011/15, 2012/10, 2013/13, 2014/24, 2015/16 and 2016/16.

thanks the partners which increased their contributions to regular resources in 2016, including the Governments of Germany, Iceland, Italy, Netherlands, Republic of Korea, Saudi Arabia and Sweden.[2]

12. The largest contributors to regular resources in 2016 were, in order, the Governments of the United States, Sweden, United Kingdom, Norway, Japan, Switzerland, Canada, Netherlands, Denmark and Germany. The Governments of China, India, Russian Federation, Saudi Arabia and Turkey maintained their contributions of over $1 million to regular resources in 2016.

13. In multiple decisions, the Executive Board has recognized that a limited number of Member States contribute to UNDP regular resources and requested UNDP to continue exploring incentives and mechanisms to broaden the donor base, and to support donors in increasing their regular resources contributions. Figure 2 shows the top 10 contributors to regular resources from 2012 to 2016. In 2016, contributions from these top donors accounted for 85 per cent of total regular resources.

Figure 2. Top 10 contributors to regular resources, 2012-2016
(In millions of United States dollars)



C. Contributions to UNDP other resources

14. Other resources are earmarked to specific themes, programmes or projects and represent a critical complement to the regular resource base. Total other resources contributions from cost sharing, trust funds, reimbursable support services and miscellaneous activities amounted to $4.248 billion in 2016 (12 per cent greater than the $3.782 billion received in 2015). Of this, $1.489 billion was from donor country Governments (a 12 per cent increase from 2015), $981 million from programme country Governments (a 9 per cent increase from 2015) and $1.778 billion from multilateral partners (a 15 per cent increase from 2015). Table 1 below shows the figures in detail.

[2] Japan increased its 2016 contribution in local currency, although exchange rate fluctuations resulted in a decline in the amount in United States dollars. India's additional tranche intended for 2016 and received in March 2017 is recorded as a 2017 contribution.

Table 1. Other resources contributions by funding partners, 2015-2016
(In millions of United States dollars)

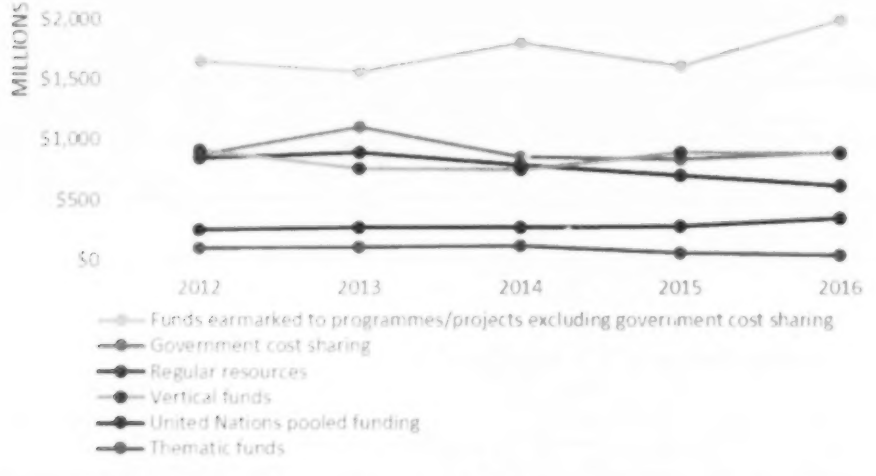
Year	Donor country Governments				Programme country Governments				Multilateral partners				Total
	Cost sharing	Trust funds	RSS	Subtotal	Cost sharing	Trust funds	RSS	Subtotal	Cost sharing	Trust funds	RSS	Subtotal	
2016	982	470	37	1,489	964	4	13	981	1,245	499	34	1,778	4,248
2015	773	522	40	1,344	887	8	6	893	974	527	45	1,545	3,782
$ change				145				88				233	466
% change				11%				10%				15%	12%

RSS – reimbursable support services and miscellaneous activities.

15. In its decision 2016/16, the Executive Board welcomed Member States' continued dialogue with UNDP on funding issues, including how to facilitate a shift from highly earmarked resources to regular resources or less restricted/earmarked resources, and urged Member States to prioritize the provision of regular and other resources that are flexible, predictable, less earmarked and aligned with the Strategic Plan.

16. After regular resources, contributions channelled through thematic funds or funding windows offer the most flexibility, followed by funds earmarked to programmes or projects (including government cost sharing). United Nations pooled funds and vertical funds. Comparing the levels of contributions of these funding channels between 2012 and 2016, regular resources and thematic funding are on a decline, vertical funds are stable and funds earmarked to programmes or projects, government cost sharing and United Nations pooled funds are increasing.

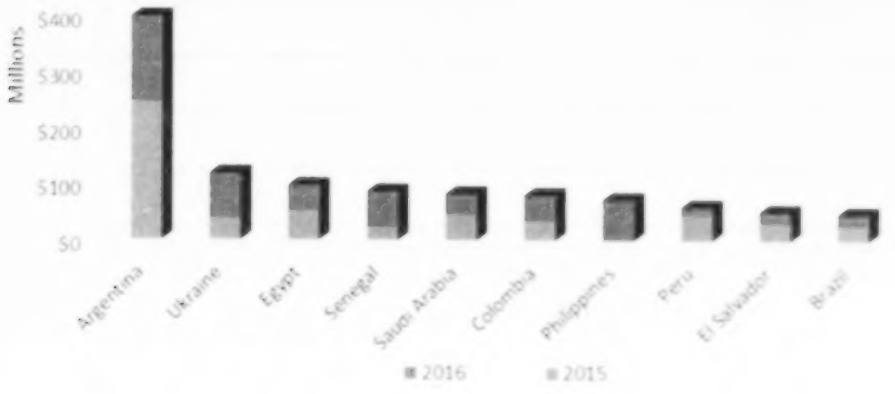
Figure 3. Contributions by funding channels, 2012-2016
(In millions of United States dollars)



17. In its decision 2016/16, the Executive Board recognized that government cost sharing constitutes a voluntary funding mechanism that strengthens national ownership as well as contributes to the achievement of country programmes. In the Addis Ababa Action Agenda, endorsed by the General Assembly in resolution 69/313 of 27 July 2015, Member States affirmed domestic resources as a legitimate source of financing for development. In 2016, of the $981 million total contributions to other resources from programme country Governments, $892 million was for programmes or projects in their own countries (a 6 per cent increase, from $840 million in 2015). Figure 4 below shows the top 10 contributors to government cost sharing in 2015-2016.

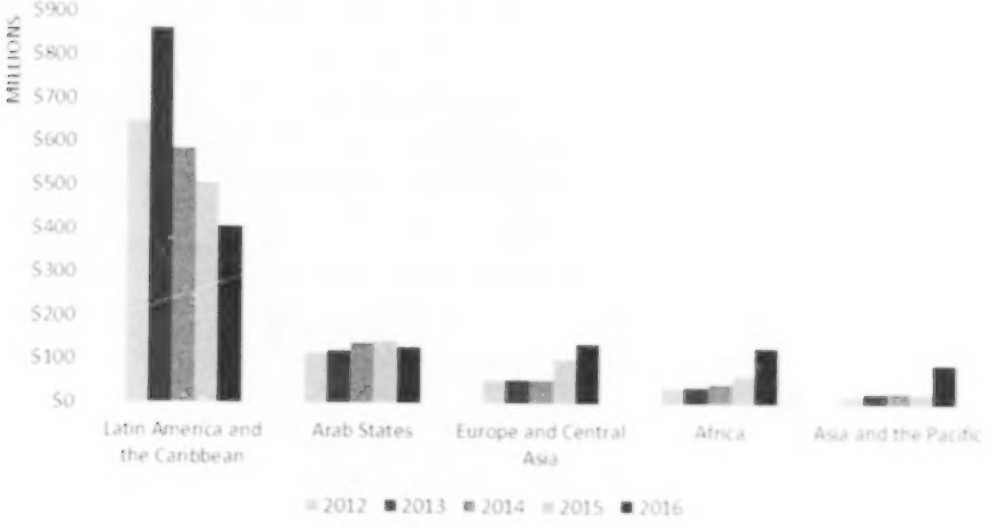
Although Member States from Latin America and the Caribbean contributed 53 per cent of total government cost sharing in 2015-2016, Member States from other regions (Philippines, Senegal, Saudi Arabia and Ukraine) have increased their contributions in recent years.

Figure 4. Top 10 contributors to government cost sharing, 2015-2016
(In millions of United States dollars)



18. Figure 5 below shows an increasing trend in government cost-sharing contributions from Europe, Africa and Asia and the Pacific and a decline for Latin America and the Caribbean and the Arab States. In 2016, government cost sharing from Latin America and the Caribbean decreased by 20 per cent, to $404 million (2015: $506 million); Europe and the Commonwealth of Independent States increased by 37 per cent to $138 million (2015: $101 million); Africa increased by 100 per cent, to $130 million (2015: $65 million); the Arab States decreased by 11 per cent, to $128 million (2015: $144 million); and the Asia and the Pacific region increased by 281 per cent, to $92 million (2015: $24 million).

Figure 5. Government cost sharing, by region, 2012-2016
(In millions of United States dollars)



III. The 2017 outlook and predictability

19. As reflected in General Assembly resolution 67/226 of 21 December 2012 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system and in several Executive Board decisions, Member States are encouraged to maintain and substantially increase their voluntary contributions to regular resources and to contribute, on a multi-year basis, in a sustained and predictable manner.

20. Current projections suggest that, subject to confirmation by some Member States and exchange rate fluctuations, contributions to regular resources in 2017 are expected to total around $600 million, 3 per cent lower than the $618 million received in 2016.

21. Global political and economic developments are expected to continue to impede the ability of some Member States to make or increase their contributions or make multi-year commitments. With continued steady support from current and new contributing Member States, however, UNDP is determined to reverse the downward trend in regular resources.

22. If regular resources continue to decline, it will not be possible for UNDP to maintain shielded/protected lines in the integrated budget that are now in place. Reduced support for development effectiveness and management could increase organizational risks for UNDP due to adverse effects on its institutional capacity for quality assurance, monitoring, accountability and oversight.

23. In decisions 2015/16 and 2016/16, the Executive Board urged Member States in a position to do so to provide their contributions to regular resources as early as possible, and encouraged Member States to consider making multi-year pledges for future years. As of June 2017, 38 Member States had indicated their pledges or had already paid their 2017 contributions, as shown in table 1 of the statistical addendum.

24. In decision 98/23, the Board determined that the predictability of regular resources would be strengthened if Member States announced their payment schedules, with early payment encouraged to ensure effective programming and to avoid liquidity constraints in regular resources. However, only a limited number of Member States share their payment schedules in advance and one third of contributions are received in the last quarter of the year.

25. UNDP notes with appreciation the efforts of Member States that have paid their contributions early and in full, communicated their payment schedules, made multi-year pledges and resumed their contributions or contributed to regular resources for the first time. Member States that have not already done so are encouraged to inform UNDP of their intended payment schedules and to adhere to them. Predictability is essential for the organization, and for programme countries, to plan strategically. As of June 2017, 25 Member States had paid their contributions in full or made partial payment towards their 2017 pledges, as shown in table 2 of the statistical addendum.

26. As of June 2017, UNDP had received $289 million, or 48 per cent of the projected regular resources contributions for 2017, from 27 of the 64 partners expected to contribute. UNDP values the increased contributions from Estonia; the new or existing multi-year commitments from the Governments of Antigua and Barbuda, Australia, Belgium, Canada, Denmark, the Netherlands, New Zealand, Switzerland and Turkey; and the resumption of contributions from Malta.

27. With respect to other resources, from January to June 2017, UNDP received $1.412 billion, including contributions from vertical funds and United Nations pooled funds. By the end of 2018, UNDP expects to receive close to $2 billion from the Global Environment Fund, the Green Climate Fund, the Global Fund to Fight AIDS,

Tuberculosis and Malaria and the Multilateral Fund for the Implementation of the Montreal Protocol.

IV. Shifting from highly earmarked to less earmarked other resources

28. In its decision 2015/16, the Executive Board noted the importance of enhancing the quality and predictability of contributions to other resources and their alignment to the Strategic Plan, 2014-2017, as an important complement to the regular resource base.

29. In response to Member States' requests made in the quadrennial comprehensive policy review and through the Executive Board for more predictable, flexible and adequate funding for development, UNDP established the funding windows, designed to encourage a shift to less earmarked, more integrated and flexible funding.

30. The funding windows were designed to promote an integrated approach and allocate resources to critical or emerging needs at national, regional and global levels, and to align development effectiveness principles of ownership, harmonization, results and mutual accountability.

31. In 2016, total contributions for the funding windows reached $37 million ($19 million for climate change and disaster risk reduction; $13 million for governance for peaceful and inclusive societies; $4 million for emergency development response to crisis and recovery; and $1 million for sustainable development and poverty eradication) from eight partners, in order: the Governments of Germany, the United Kingdom, Norway, the Republic of Korea, Luxembourg, Switzerland, Sweden and Slovakia.

32. For 2017 and 2018, six Member States have pledged $31 million. As of June 2017, UNDP had received a total of $5.7 million from Luxembourg and the Republic of Korea.

V. Diversifying partnerships

33. In its decision 2016/16 and other prior decisions, the Executive Board recognized that a limited number of Member States contribute to UNDP regular resources, and requested UNDP to continue to explore incentives and mechanisms to broaden the donor base and to support donors in increasing their regular resources contributions, as well as in shifting to less restricted other resources funding.

34. In response to those decisions, to ensure a stable, predictable and more diverse regular resources funding base, UNDP launched the '100 Partners for Development' campaign, to reach a target of 100 partners contributing to regular resources by the end of 2017.

35. Although the campaign has not yet gained the desired traction, through concerted engagement and support from partners, UNDP expects the number of contributors to regular resources to increase from 53 in 2016 to 64 in 2017, and is pleased that Member States such as Malta responded to the campaign by resuming its contribution to regular resources, and that private sector partners are making initial contributions to regular resources.

36. In its decision 2015/16, the Executive Board requested UNDP to respond to evolving development opportunities in a transparent and coordinated manner to widen its partnerships with the private sector, civil society organizations, philanthropic organizations, the broader public, multilateral organizations, international financial institutions (IFIs) and global public-private alliances.

37. Building on the ongoing efforts to diversify the donor base across and beyond government partners, UNDP is making inroads in establishing new partnerships with the private sector and IFIs. UNDP forged a number of transformational partnerships with the private sector, including through the co-creation of solutions for sustainable development and innovative collaborative arrangements.

38. In April 2017 UNDP signed a five-year partnership agreement with ofo, the world's largest bike-sharing platform, based in China, to raise public awareness about climate change and to support green entrepreneurship and research in China and around the world. The project is expected to reach 100 million people with campaign messages about the adverse effects of climate change and ways to reduce carbon dioxide emissions. UNDP and ofo will also establish a joint scholarship programme to support environmental research projects and will provide small grants to start-up companies offering green products and technologies. During the first year of the partnership, ofo will donate bicycles to young people in rural areas to reduce the distance between their homes and schools. For 2017, UNDP expects to receive a donation of $1 million to regular resources, as part of a larger contribution of $2.9 million, to support climate action and entrepreneurship.

39. UNDP is helping to leverage private finance for the Sustainable Development Goals. In partnerships with the Government of Malawi, UK Aid and KfW, the German Development Bank, UNDP helped to set up the Malawi Innovation Challenge Fund (MICF) with a $15 million competitive grant facility for innovative projects proposed by the private sector for Malawi's agricultural, manufacturing and logistics sectors. Since its first round of competition in 2014, MICF has helped to increase the incomes of 33,300 households and create 1,190 jobs through agriculture and manufacturing projects.

40. Impact investment is a new area that can help to unlock private capital to tackle development challenges. In 2016, UNDP established a Social Impact Fund to leverage private capital and facilitate social impact investments, aligned to the Sustainable Development Goals, for national priorities such as youth entrepreneurship and jobs creation, special economic zones, renewable energy and affordable housing. The fund provides policy advisory services to national Governments while building a strong academic network with leading universities globally to explore new analytical frameworks for social impact measurement.

41. In Serbia, UNDP is exploring impact investment through the social impact bond modality. The modality aims to tackle high youth unemployment in the country by producing jobs for youth, savings for the Government and social and financial returns for investors. The social impact bond brings private capital into development and shifts public sector expenditure from paying for activities to paying for results.

42. In 2017, UNDP together with other United Nations agencies partnered with Microsoft to create jobs for communities affected by the Syrian crisis. Similarly, UNDP is collaborating with IBM on 'IBM Digital - Nation Africa', which provides a cloud-based learning platform designed to provide free skills development programmes for up to 25 million African youths, over five years, enabling digital competence and nurturing innovation in Africa. UNDP has also partnered with the GSMA Mobile for Development Foundation to harness the power of mobile technology to accelerate implementation of the Sustainable Development Goals.

43. In 2016, UNDP launched an individual donation programme, which, through digital giving, has helped to mobilize over $4 million for earthquake relief in Ecuador.

44. UNDP is increasing its engagement with IFIs to revitalize cooperation and accelerate progress towards the Sustainable Development Goals. Following the launch of action plans with the Islamic Development Bank Group and the European

Investment Bank in 2016, new action plans were launched in 2017 with the Council for Europe Development Bank and the Development Bank of Latin America, and a joint statement of action was agreed with the China Development Bank. To facilitate operational collaboration at the country level, new financial agreements were developed with the African Development Bank, the Islamic Development Bank and the Caribbean Development Bank, and are under development with the European Investment Bank, the World Bank and KfW.

45. In 2016, total cost sharing contributions from IFIs increased by [illegible] per cent to $36 million (2015: $23 million), representing direct contributions to UNDP for programming by country offices. The World Bank and Islamic Development Bank were the top contributors, with contributions of $24 million and $12 million respectively. In 2017, as of early June, UNDP had received $162 million in cost-sharing contributions from IFIs.

46. The funding composition of UNDP has evolved over the years, and the current balance of funding, with other resources (87 per cent of total funding) mobilized from a smaller regular resource base (13 per cent) remains a concern. For the implementation of the new strategic plan, 2018-2021, UNDP will endeavour to increase the share of regular resources to leverage other resources for sustainable development, support the United Nations development system and help developing countries to access financing, expertise and technologies to make progress towards the Sustainable Development Goals, by working with Member States, IFIs and the private sector.

VI. The United Nations Capital Development Fund and the United Nations Volunteers programme

United Nations Capital Development Fund

47. In 2016, total contributions received by UNCDF reached $55.3 million (including $0.8 million received from UNDP for programme support), down from $58.9 million in 2015. The diversification of UNCDF donors remained high, however, with 35 development partners contributing in 2016 (compared to 29 in 2010).

48. Contributions in 2016 included $19.7 million from private sector foundations, corporations and NGOs, representing 36 per cent of total resources and 44 per cent of other resources. The top overall donors to UNCDF were, in order, the Bill & Melinda Gates Foundation, the United Nations Multi-Partner Trust Fund, The MasterCard Foundation, Sweden, Switzerland, United States, European Union, Belgium and Luxembourg.

49. Contributions to regular resources reached $10.2 million in 2016 (including $0.8 million received from UNDP for programme support), down from $12.5 million in 2015. In 2016, the top regular resources donors to UNCDF were the Governments of Sweden, Switzerland, Luxembourg, Australia, the United States, Norway, Austria, China, and Liechtenstein. The Governments of Myanmar and Thailand also supported UNCDF through regular resources contributions.

50. Regular resources remain the foundation for the UNCDF business model, providing the risk capital for innovation and leverage, the technical expertise to remain at the frontiers of last mile finance innovation, and the robust country presence needed to be a strategic partner to Governments and United Nations country teams and ensure a strategic, rather than fragmented, country-level engagement.

51. Despite increased donor diversification in recent years, UNCDF continues to be dependent on a limited number of donors for contributions to regular resources. Regular resources contributions remain short of the $25 million annual target required

to extend UNCDF operations to 40 of the 47 least developed countries (LDCs), as envisaged in the UNCDF Strategic Framework, 2014-2017. The consistent shortfall strains the Fund's ability to innovate. The UNCDF country presence has dropped to 30 LDCs in 2016 against the 40 projected in the Strategic Framework and this number is at risk of further reduction.

52. Other resources remained at $45.2 million in 2016, a decrease of 3 per cent from 2015. Other resources have increased steadily over the past 10 years, by 250 per cent (from $13 million in 2006), and are expected to continue to grow in 2017.

53. With its capital mandate and instruments, UNCDF offers 'last mile' finance models, through financial inclusion and localized investments that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. Using grants, soft loans, targeted credit increases, and innovative business and public-private partnerships, UNCDF tests financial models to show how strategically placed official development assistance can drive domestic resource mobilization for local economic development and financial inclusion. UNCDF innovations, blended finance approaches and 'last mile' finance models are relevant for the implementation of the 2030 Agenda, the Addis Ababa Action Agenda, and the Istanbul Programme of Action, as well as the Paris Agreement on climate change.

United Nations Volunteers programme

54. In 2016, the third year of the implementation of the UNV Strategic Framework, 2014-2017, programme resources amounted to $186 million, almost 2.8 per cent of which was financed from the Special Voluntary Fund.

55. Donor contributions continued to be critical to the development of volunteerism programming and mobilizing volunteers. In 2016, in line with its budget strategy, UNV continued its efforts to deepen, widen and diversify partnerships, with a particular focus on the Special Voluntary Fund, cost sharing, trust funds and fully funded volunteers.

56. Administratively speaking, the Special Voluntary Fund is not equivalent to regular resources. However, the Fund enables the UNV programme to cultivate diversified approaches that widen volunteer opportunities and deepen the programmatic integration of volunteerism for peace and development. Although it is a modest fund, its importance cannot be overstated, given the lack of access by UNV to regular resources programme funding. From research-based projects to pilot interventions in areas such as youth volunteering and sustainable development, the Special Voluntary Fund is a catalyst for innovation and for leveraging additional external resources, serving as a vital foundation for the evolution of the voluntary sector.

57. Contributions to the Special Voluntary Fund increased by 6 per cent, from $3.7 million in 2015 to $3.9 million in 2016, reflecting the historical fluctuations of annual contributions to the fund. Given the critical role of resources from the fund, the UNV programme is continuously seeking to increase contributions to enable it to further explore, expand and strengthen the role of volunteerism and its contributions to development.

58. UNV is strengthening its relationships with Member States that have contributed to the Special Voluntary Fund in past years, and seeks to gain the support of additional Member States.

59. Contributions (including multi-year contributions) received for fully funded United Nations Volunteers, including contributions for fully funded United Nations Youth and University Volunteers, decreased by 15.2 per cent, from $7.2 million in 2015 to $6.1 million in 2016. UNV continued to diversify its funding sources through various partnership initiatives, including South-South cooperation. Capitalizing on the

successful 2014 Partnerships Forum, UNV organized a second UNV forum in 2016, convening partners from both the North and the South, revitalizing existing partnerships and brokering new ones.

60. On regular resources for institutional activities, UNV received funding through UNDP regular resources. In 2017, this amounted to $8.8 million, a 5 per cent increase from $8.4 million in 2016. However, the trend for the past five years shows an average year-to-year decrease of 9 per cent. To mitigate the declining resources from UNDP, UNV is focusing on volunteer mobilization and prudent financial management. UNV notes, however, that it needs a stable and predictable level of regular resources to fulfil its mandate and provide high-quality volunteers to UNDP and other United Nations agencies, funds and programmes.

VII. Conclusion

61. Achieving effective development results requires a clear link between development results and financial and other resources. In its decision 2016/4, the Executive Board concurred that the vision and expected results of the Strategic Plan, 2014-2017, are generally aligned with the 2030 Agenda for Sustainable Development and the Sustainable Development Goals.

62. The cumulative review of the Strategic Plan reaffirmed the commitment and readiness of UNDP to support implementation of the 2030 Agenda, and demonstrated a dynamic implementation framework able to accommodate programmatic and institutional recalibrations in response to changing external circumstances and country priorities.

63. Total contributions received from 2014-2016 were at only 71 per cent of the $19.4 billion estimated in the integrated resources plan, 2014-2017 (DP/2013/41). Regular resources met only 58 per cent of the $3.6 billion target, having fallen at an annual rate of 11 per cent since 2013. To sustain the progress made and meet the targets enumerated in the Strategic Plan, adequate and predictable funding is required to ensure strategic focus, tactical flexibility and the ability to respond to crises and opportunities.

64. UNDP is funded from a variety of sources – Member States, multilateral partners, NGOs, private and philanthropic actors and financial institutions – and continues to value all types of funding that allow the organization to deliver on its commitments. The ability of UNDP to perform at a high level is nevertheless heavily reliant on regular resources, not least because they form the pillar of its support to the world's poorest countries.

65. Regular resources provide for the most effective delivery of transformational results; support the most vulnerable; promote equity; enable a prompt response to crises; and promote the coherence, accountability, transparency and quality assurance of the United Nations development system – all priorities of both Member States and UNDP. Declining regular resources and a concentration of earmarked funds make it difficult to ensure that UNDP has the capacity to implement its programmes effectively.

66. To address the impact of reductions in regular resources, and guided by Executive Board decisions, certain lines under both the programmatic and institutional components of the integrated budget were shielded from significant cuts. Shielding those budget lines, however, meant significant reductions in other areas, including regional and global programmes and overall management activities. Further reductions in funding for development effectiveness and management pose serious organizational risks due to their adverse effects on institutional capacity for quality assurance, monitoring, accountability and oversight.

67. The absence of multi-year commitments from some partners remains a concern for UNDP and affects its ability to plan ahead and sustain its multilateral and universal character. In addition, lack of predictability or early payment increases the vulnerability of the organization to exchange rate fluctuations, negatively affecting its liquidity position.

68. UNDP is committed to working with its partners to diversify its funding base and reverse the fall in regular resources. The roll-out of the '100 Partners for Development' campaign to increase contributions from existing partners and the number of contributors to regular resources, and the launch of the funding windows to encourage a shift from highly earmarked to more flexible resources, can succeed only with the full support of Member States.

69. UNDP has incorporated substantive opportunities for partnerships with the private sector, financial institutions and individuals. It will continue to cultivate public-private partnerships and leverage private financing into development and the achievement of the Sustainable Development Goals.

70. UNDP will continue to engage with the Executive Board and seek the support of Member States to ensure that the principles of predictability, universality and progressivity can be sustained.

71. UNDP urges Member States to: (a) increase or provide their voluntary contributions in a manner consistent with their capacities; (b) contribute on a multi-year basis in a sustained and predictable manner; (c) shift their contributions from highly earmarked to less earmarked resources; and (d) advocate among Member States to prioritize contributing to UNDP regular resources in a timely and predictable manner, to enable UNDP to deliver the expected results of the Strategic Plan and lead the United Nations system in implementing the 2030 Agenda for Sustainable Development.